

UNIVERSITY OF WATERLOO
ECON 101, Section 003, Winter 2011
Introduction to Microeconomics
Course Outline

Instructor:

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Lecture hours & Location: Tuesday & Thursday, 1:00 - 2:20 pm in RCH101

Office Hours: Tuesday & Thursday 10:00 am – 11:30 am

(Other times by appointment only)

Communication with students: Important announcements related to this course will be posted on UW-ACE throughout the term.

Course Description :

This course is intended to provide students with the tools necessary to begin understanding how individuals and societies deal with the fundamental problem of scarce resources. The basic microeconomic theories and analytical approach introduced in the course will enable the students to analyze everyday decisions faced by individuals as they try to maximize their utility, businesses that try to maximize profits and the society as it attempts to use its resources efficiently. The topics emphasised in the course include how markets function, consumer behaviour, theory of the firm and market structures.

At the end of the course students will have learnt an economic way of thinking and will be able to answer important economic questions like– whether the government should tax gasoline or cigarettes, why have minimum wage law even when it increases unemployment, why a monopoly is considered inefficient, when government intervention like price regulation may be desired, what motivates OPEC to restrict oil supply, why firms keep introducing newer varieties of the same good all the time etc.

Text:

Parkin, Michael and Bade, Robin Microeconomics: Canada in the Global Environment, 7th Edition, Addison Wesley Publishers Limited.

Supplements (MyEconLab and study guide) to this text are optional.

Lecture Notes:

The lecture slides will be posted on UW-ACE at:

1111 ECON 101: Introduction to Microeconomics (Section 003)

****Lecture slides will be brief and incomplete. Hence it is recommended that the students attend the lecture classes and read the text according to the topics outlined.****

Evaluation: The course grade will be determined by the following rule:

Course Grade

= maximum {(25% Midterm I + 25% Midterm II + 50% Final), (100% of Final)}

Midterm Tests: The two midterm tests are worth 25% each with a total of 50%.

Midterm I: January 21 (Friday) from 4.30 pm – 6:00 pm, [Multiple choice questions]

Midterm II : February 18 (Friday) from 4.30 pm – 6:00 pm, [Multiple choice questions]
(Room location for the tests will be announced on UW-ACE one week prior to the tests)

Note:

Make-up midterm test is not allowed in this course. For students who cannot write a regularly scheduled test due to illness and have valid doctor's note (approved by the instructor), the weight of the test will be shifted to their final exam.

Final exam: The final exam (50%) will be comprehensive with only multiple choice questions. The date for the final exam is determined by the Registrar's Office. The final exam period for Winter Term 2011 is April 8 to April 21. Students are expected to be available during this time. Travel plans are not acceptable grounds for granting an alternative final examination time.

(See <http://www.registrar.uwaterloo.ca/exams/finalexams.html>)

Lecture Topics and Readings :

1. Economic Problem: Scarcity and Choice, Text, Ch. 1

- (i) Wants and scarcity
 - (ii) Two Big Economic Questions
 - (iii) Choices and Tradeoffs
 - (iv) Opportunity cost
 - (v) Normative and positive economics
- Appendix: Graphs in Economics

2. Gains from Trade, Text Ch 2

- (i) Production Possibilities Frontier & opportunity cost
- (ii) Production efficiency & allocative efficiency
- (iii) Economic growth
- (iv) Gains from trade

3. Demand and Supply: The Market, Text, Ch. 3

- (i) The Law of Demand , Change in Demand vs. Change in Quantity Demanded
- (ii) The Law of Supply , Change in Supply vs. Change in Quantity Supplied
- (iii) Market Equilibrium
- (iv) Predicting Changes in Price and Quantity

Midterm I on January 21 (Friday), Chapters 1, 2 & 3

4. Elasticity, Text, Ch. 4

- (i) Price Elasticity of Demand, Factors that influence the price elasticity of demand
- (ii) Total Revenue and Elasticity
- (iii) Income Elasticity and Cross Elasticity
- (iv) Price Elasticity of Supply, factors that influence the price elasticity of supply

5. Efficiency and Equity, Text, Ch 5

- (i) Producer surplus & Consumer surplus
- (ii) Efficiency

6. Government Action in Markets, Text, Ch. 6

- (i) Surpluses and shortages; price ceiling & price floor
- (ii) Effects of Taxes, Subsidies & Quotas

7. Theory of Consumer Behavior, Text, Ch. 8 & 9

- (i) Marginal utility rule, Ch.8
- (ii) Consumer surplus - Ch.8
- (iii) Indifference curve/budget analysis, Ch.9
- (iv) Deriving an individual's demand curve, Ch.9
- (v) Predicting Consumer Behaviour

Midterm II on February 18 (Friday), Chapters 4, 5, 6 & 8

8. Organizing Production, Text. Ch.10

- (i) Implicit and explicit costs
- (ii) Economic profit and Accounting Profit
- (iii) Economic Efficiency vs. Technological Efficiency

9. Cost and Perfectly Competitive Supply: Text, Ch. 11

- (i) Laws of Production - short run and long run
- (ii) The short run –
 - a. Total product, average product & marginal product; Diminishing returns
 - b. Variable and fixed costs
 - c. Short run cost curves - total cost, average cost, marginal cost
- (iii) Long run average cost curves
 - a. Economies of scale
 - b. Diseconomies of scale

10. Perfect Competition and Economic Efficiency, Text, Ch. 12

- (i) Assumption
- (ii) Profit maximizing output
- (iii) Shut down point
- (iv) Entry and exit
- (v) Effects of Permanent Change in Demand
- (v) Efficiency of competitive markets

11. Monopoly, Text, Ch. 13

- (i) Characteristics
- (ii) Natural monopoly
- (iii) Theory of monopoly
- (iv) Price discrimination
- (v) Allocative inefficiency

12. Monopolistic competition , Text Ch. 14

- (i) Short run and long run equilibrium
- (ii) Excess capacity and mark-up under monopolistic competition

13. Oligopoly , Text, Ch. 15

- (i) Oligopoly & collusion
- (ii) The dominant firm model and the kinked demand curve model

14. Additional Topics (Time Permitting), Text Ch. 15, 7 & 16

- (i) Game Theory: Nash Equilibrium in Simultaneous Move Games & Sequential Move Games
- (ii) Global Markets in Action
- (iii) Externality

**** There might be slight changes to this outline as the course progresses and will be announced accordingly****

Economics Clinic:

The department of Economics provides tutorial service through the **Economics Clinic**. Students enrolled in ECON101 can access the service throughout the term. The time and place of the clinic will be posted on UW-ACE in the first week of the term.

Special Notes on Academic Integrity, Grievance and Discipline:

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.

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>

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 examinations 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, <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.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> .

For information on categories of offences and types of penalties, students are directed to consult the summary of Policy #71 (Student Academic Discipline) which is supplied in the Undergraduate Calendar (section 1; on the Web at <http://www.adm.uwaterloo.ca/infosec/Policies/policy71.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.

Department Grade Revision Policy A grade in any ECON course may not be changed if 12 or more months have elapsed since the grade was awarded.

Deferred Final Economics Exam Normally, a student who has been ill (documentation required), or due to unforeseeable situations and missed the scheduled final exam must e-mail your course professor immediately. The student **MUST** complete the petition form and submit it along with medical notes etc. to your course professor to request to write the Departmental Deferred Examination **within 48 hours**. If the student has failed to write the Departmental Deferred Examination after approval has been granted, the student will automatically receive a grade of 0% for the missed deferred final examination. Please download and fill out the **Special Deferred Exam Request Form** and attach the supporting documentation before submitting to the Instructor for **departmental** approval. Due to illness or other matter on the day of the exam (and not that you are unprepared), you are given the deferred privilege. We do not expect students to be cramming course materials just a few days before the final examination. Please be ready to write the deferred exam on short notice.

[Final Deferred Exam Request Form](#)