

**University of Waterloo**  
**Department of Economics**  
**Econ 393 – Section 001**  
**Market Failures**  
**Winter 2020**

**Monday and Wednesday, 8:30-9:50 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 - Thursday 2-3 pm or by appointment

Email: r22georg@uwaterloo.ca

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 ten kilometres 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 may act with limited knowledge of others’ motivations or capacities. Some actors do not acknowledge the true costs or benefits of their actions. In each of these cases, decisions made by private individuals yield outcomes that could be improved upon in a collective sense. We will study these situations 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).

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 @ 5% each)	Dates TBA	15%	15%
Real-World Commentaries (2 @ 5% each)	Feb 12 <sup>th</sup> , March 30 <sup>th</sup>	10%	10%
Participation	Feb 12 <sup>th</sup> , March 30 <sup>th</sup>	5%	5%
Midterm 1	February 5 <sup>th</sup>	15%	15% on better of MT1 and MT2
Midterm 2	March 9 <sup>th</sup>	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 5% of the final grade. The assignments will be posted on LEARN, and hand-written answers are due in class. Due dates to be announced (but see schedule for timing). Without a prior arrangement with the instructor, *no late assignments will be accepted.*

## **Real-World Commentaries**

Students will write two **one-page** real-world commentaries over the course of the term, which examine 1) externalities, and 2) asymmetric information. Each will count for 5% of the final grade. The essays must **be uploaded to LEARN before the beginning of class on the due date.** The due dates are **February 12 and March 30.** The commentaries should summarize and comment on journalistic treatments of the market failure being studied. You may use newspaper, magazine or another professionally edited publication available online. Avoid academic journals. Provide a full reference to the materials used. The commentaries will be evaluated for their clarity and communication, significance of the analysis presented, and creativity in connecting real-world situations to the course material in Econ 393.

## **Participation**

Two class meetings **February 12 and March 30** will be given over to peer-feedback and discussion in small groups based on the real-world commentaries. Students will present their commentaries to one another in small groups and discuss their findings. A class-wide discussion of take-aways will follow.

## **Midterm Examinations**

The midterm exams will be **held in class on Thursday, February 5th and Tuesday, March 9<sup>th</sup>.** 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 Schedule

Week	Date	Lecture Topic	Readings Due
1	Jan 6 Jan 8	Introduction to Course; Review Household choice	
2	Jan 13 Jan 15	Review Markets and Welfare Theorems	Ch.15-16
3	Jan 20 Jan 22	Review Markets and Welfare Theorems	Ch.15-16
<b>Assignment 1 due</b>			
4	Jan 27 Jan 29	Review Markets and Welfare Theorems Introduction to Externalities	Ch.21
5	Feb 3 Feb 5	<i>Catch-up and Review</i> <b>Midterm 1</b> Externalities	Ch.21
6	Feb 10 Feb 12	Externalities – Public Goods <b>R-W Commentary and Discussion</b>	
7	Feb 17 Feb 19	<b>No lectures – Reading Week</b>	Ch.21
<b>Assignment 2 due</b>			
8	Feb 24 Feb 26	Externalities – Missing Markets	Ch.21
9	Mar 2 Mar 4	Externalities <i>Catchup and Midterm Review</i>	
10	Mar 9 Mar 11	<b>Midterm 2 during lecture</b> Review Choice and Markets with Risk	Ch. 17
11	Mar 16 Mar 18	Asymmetric information in competitive markets	Ch. 22
<b>Assignment 3 due</b>			
12	Mar 23 Mar 25	Asymmetric information in competitive markets	Ch. 22
13	Mar 30 April 1	<b>R-W Commentary and Discussion</b> <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>

## **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. Check the [Office of Academic Integrity website](#) for more information.

## **Discipline**

A student is expected to know what constitutes academic integrity to avoid committing an academic offence, and to take responsibility for his/her actions. [Check [the Office of Academic Integrity](#) for more information.] 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 instructor, academic advisor, or the undergraduate associate dean. For information on categories of offences and types of penalties, students should refer to [Policy 71, Student Discipline](#). For typical penalties, check [Guidelines for the Assessment of 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](#). 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](#).

## **Accommodation for Students with Disabilities**

**Note for students with disabilities:** [AccessAbility Services](#), located in Needles Hall, Room 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 [AccessAbility Services](#) at the beginning of each academic term.

**Turnitin.com and alternatives:** Text matching software (Turnitin®) may be used to screen assignments in this course. Turnitin® is used to verify that all materials and sources in assignments are documented. Students' submissions are stored on a U.S. server. Students that are concerned about their privacy and/or security may arrange with instructor an alternative (e.g., scaffolded assignment or annotated bibliography). Students will be given due notice, in the first week of the term and/or at the time assignment details are provided, about arrangements and alternatives for the use of Turnitin in this course.

It is the responsibility of the student to notify the instructor if they, in the first week of term or at the time assignment details are provided, wish to submit the alternate assignment.

## **Mental Health Support**

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

### **On Campus**

- Counselling Services: [counselling.services@uwaterloo.ca](mailto: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: 519-749-4300 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 on 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