

Economics 281-B2

Intermediate Microeconomic Theory I

Course Outline

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Important e-mail note: If you send me an e-mail, please include the course number in the subject area (so that I will not think your message is spam and delete it before reading it).

Office Hours: Mondays, 2:00-3:00 pm, from 11 January through 12 April 2010.

Other times can be arranged by seeing me before or after class or by sending me an e-mail. You can also drop by my office to see if I am in. However, due to my teaching commitments (and lunch), I will **not** be available **from 10:00am – 2:00pm on Mondays, Wednesdays and Fridays.**

Course Purpose: This is a core economic theory course. The purpose is to develop and explain the standard economic models of individual consumer and producer behavior. These models of individual consumer and firm choices will then be used to derive market supply and demand relationships. The course will examine how the interaction of market demand and supply determines equilibrium prices and quantities (both market quantities and individual firm and consumer quantities) in competitive markets. Price and quantity determination in markets with only one seller (a monopoly) or one buyer (a monopsony) as well as methods of price discrimination will also be covered. The goal is to provide a foundation in the fundamentals of microeconomic analysis. This material is central to microeconomic (and much macroeconomic) analysis and a good understanding of this material is necessary to advance successfully in economics.

Prerequisites: The prerequisite for this course is ECON 101 or the equivalent (ECON 102 is not an equivalent). ECON 281 is more advanced and theoretical than ECON 101, but will cover some of the same material. The lectures will assume very little ECON 101 knowledge.

The lectures will involve words, diagrams and simple equations. I assume you have a basic understanding of algebra and graphical analysis. Although I will not use any calculus, this does not mean the material is not technical. I am particularly keen that you understand the technical details of the analysis as well as the intuition.

Text: The textbook for the course is:

R.S. Pindyck and D.L. Rubinfeld, *Microeconomics*, Seventh Edition, Pearson, 2009.

I have requested that this book be put on reserve in Rutherford Library North. Copies should also be in the bookstore. Second hand copies may be available. It is also possible to use almost any other intermediate microeconomics textbook. However, if you do use a different book, you will have to make up your own reading list. Some of the material covered in class, although in Pindyck and Rubinfeld, may not be covered in other books.

Given the short time allocated for lectures, it is very useful to read the textbook in order to be exposed to the details of the analysis. However, for some parts of the course, the lectures will go into far more detail than the textbook. I will also cover topics that are not in the text. On the other hand, the text covers topics that I will not cover in class. You should devote most of your attention to the specific topics I cover in class.

I do not feel compelled to follow the textbook closely and, at times, will appear to stray far from the material in the textbook.

Note: I am not generally impressed by study guides and do not use the material in them in class, on assignments or exams. There is a study guide to accompany Pindyck and Rubinfeld and some students may find it helpful.

Course Web Page: <http://www.arts.ualberta.ca/~econweb/landon/E28110.htm>

This web page can be accessed through the “Courses” section of my personal web page which, in turn, can be reached through the “Faculty” section of the Economics Department web page.

On the course web page you will find the course outline, copies of exams (after they are given), assignments and answers (after the assignments are marked), copies of exams from previous years, answers to previous mid-terms, as well as review questions. Changes to the reading list will also be posted on the web page.

Class notes will **not** be posted.

Some of the material on the web page will be password protected. I will announce the password in class.

Web-Based Materials: I do not use any web-based materials. However, approximately two weeks before the mid-term exam and two weeks before the final exam, I will post review questions on the course web page. These are designed to help you review the course material and give you some idea of the types of questions I will ask on the exams. Once the review questions are posted, I will make an announcement in class.

Evaluation: Students will be evaluated on the basis of their performance on two assignments, a mid-term exam (to be held in class) and a final exam.

The assignments will tend to focus (although not exclusively) on problems that involve mathematical or numerical solutions.

The two assignments will be marked by a TA, while the course instructor will mark both exams.

Neither exam will have any multiple choice questions.

The Exams: The questions on the exams will relate closely to the material discussed in class as well as the **related** material in the readings. The final exam will be cumulative (that is, the questions on the final exam can relate to any material covered in the whole course), although more weight will be given to material that has not been examined previously.

The questions on the exams are likely to involve explanations using words and diagrams or simple numerical or mathematical derivations. The answers will usually involve drawing one or more diagrams and explaining in words how to analyze a particular problem using these diagrams.

Distribution of Marks:

Two Assignments	18 % (9 % each)
Mid-Term Exam	23 %
Final Exam	59 %

Important Dates:

10 February 2010	Assignment 1 Due
3 March 2010	Mid-Term Exam (in class)
29 March 2010	Assignment 2 Due
27 April 2010	Final Exam

Determination of Letter Grades:

Each student will receive a percentage mark on each of the exams and each of the assignments. These four marks will be used to create a final mark for the course out of 100 employing the weights given above. Using this final mark, the minimum letter grade for each student will be determined according to the following table:

90-100	A+
85-89	A
80-84	A-
75-79	B+
70-74	B
65-69	B-
60-64	C+
55-59	C
50-54	C-
45-49	D+
40-44	D
0-39	F

I do not curve the marks or use a particular distribution, but may raise some marks if the class average appears to be unreasonably low. The grade point average in the course is expected to be between 2.7 and 2.9 with a median mark of B-. The actual average and median may deviate from these values depending on the performance of the class.

Warning: I am not considered to be an easy marker. This is a core theory course in the economics program. A good grounding in microeconomic theory is important to understanding a large component of economic analysis. I take this course seriously and have high expectations with respect to what you should know when you finish the course.

Important Notes:

- i) There will be **no** choice of questions on either exam.
- ii) The dates given above for the mid-term exam and the assignment due dates will **not** be changed. **The mid-term exam cannot be written early or deferred.** Please do not ask to write the mid-term exam on a day other than that scheduled above. If you know that you cannot write the exam on the day scheduled, you should not register in this course.
- iii) I am not responsible for determining whether you can write a deferred final exam (or a final exam on a day that differs from that scheduled). This is determined by your faculty. If you ask me to defer the final, I will simply direct you to your faculty office.
- iv) The exams are of the **closed** book type. No notes can be consulted during the exams.
- v) The final exam will cover material from the entire course.
- vi) The material in the lectures is important for the exams as my exams tend to be very closely related to the material I cover in class.
- vii) I do not give out class notes to students. If you miss a class, you are responsible for acquiring the notes. The readings provide a good guide to the material I plan to cover in class, but I am likely to cover material that is not in the readings as well as to use different notation and, at times, a somewhat different approach to that in the readings. I do not follow the textbook religiously. Reading the text is not a substitute for attending the lectures. The lectures and the readings are intended to complement each other.
- viii) Attendance is not a course requirement and I do not take attendance. However, as my exams relate closely to the material covered in class, class attendance is probably a low-cost wise strategy.
- ix) The weight of the mid-term exam and/or the assignments, if missed for legitimate medical reasons, will be added to the weight of the final exam.

- x) I hope to have the first assignment returned before the mid-term exam, but this may not be possible as it will depend on whether the course TA marks the assignment promptly, and I have no control over that.
- xi) Text messaging and the use of other electronic devices (as well as talking) in class is not appropriate behaviour as it disturbs me and the other students. If this is what you would like to do, please do **not** come to class.
- xii) Recording of lectures is permitted only with the consent of the instructor. Recordings can be only for a student's personal use and cannot be made publicly available (i.e. via the internet).
- xiii) University policy requires course outlines to contain the following statements:

“Policy about course outlines can be found in § 23.4(2) of the University *Calendar*.” (GFC 29 SEP 2003).

“The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (online at www.ualberta.ca/secretariat/appeals.htm) and avoid any behaviour which could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.” (GFC 29 SEP 2003)

Readings

All readings are from the 7th edition of the text by Pindyck and Rubinfeld.

Topics and readings may be added or deleted as the term progresses. Changes will be announced in class and posted on the course web site.

Note: I plan to cover the five major topic areas in the order given below. Nevertheless, within each major topic area, I am unlikely to follow the same order of sub-topics as in the text.

1. Introduction:

Sections 1.1, 1.2 and 2.1-2.3.

2. Consumer Behaviour:

Pages 67-9, sections 3.1-3.3, 3.5, 4.1-4.4, 2.4, and pages 40-5 and 531-4.

3. Theory of the Firm and Competitive Firm Behaviour:

Pages 195-6, section 6.1, pages 198-203, and sections 6.3, 6.4, 7.1-7.4, 8.2-8.5, 8.7 and 14.1.

4. Equilibrium in Competitive Markets:

Sections 8.1, 8.6-8.8, chapter 9, pages 45-8, and sections 2.7 and 14.2.

5. Monopoly, Monopsony and Price Discrimination:

Sections 10.1-10.6 and 11.1-11.4.