

INTERMEDIATE MICROECONOMICS II

ECONOMICS EC2261B-001/002

Department of Economics
Western University

Winter 2021

General Information:

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Delivery mode: Online asynchronous

Course website: <http://owl.uwo.ca>

Undergraduate inquiries: 519-661-3507 or SSC Room 4075 or econugrd@uwo.ca

Registration:

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite Note:

This course has *EC2260* as a prerequisite and *EC2151* as an antirequisite.

Some knowledge of calculus, analytic geometry, and linear algebra is required. The Economics Department website provides online resources to help with the mathematical prerequisites at https://economics.uwo.ca/undergraduate/undergraduate_resources/. If at any point in the course you feel insecure about these prerequisites, please reach out to me as early as possible.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken any anti-requisite courses. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed. If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Description:

This course is about the performance, advantages, and pitfalls of different institutions used to allocate resources, focusing on markets. We will combine tools you learned in EC2260 with new tools from Social Choice, Game Theory, and Mechanism Design. We will begin discussing ways to evaluate social outcomes from a social perspective, balancing out the preferences of different members of society. Later on, we will analyze a stylized model of perfectly competitive markets that can achieve desirable outcomes under ideal circumstances. Then, we will identify several issues that may lead to market failure, including market power, public goods, externalities, and information frictions. We will conclude by analyzing some alternative mechanisms to deal with such issues.

Course Format:

The course follows a weekly schedule. On the lessons tab on OWL, you can find one lesson for each week. Each lesson will include a number of materials: video lectures, lecture notes, links to useful resources and other reading materials. On most weeks, I will post three videos on Monday, Wednesday, and Friday evenings. The videos will be posted on my YouTube channel and will be accessible through OWL.

The discussion forum on OWL will be an important component of the course. Given the lack of in-person lectures, it is the best tool we have to keep everyone engaged. I will create specific discussion threads to discuss the homework assignments and ask questions about the contents of the course. Additionally, there will be a special thread this week to discuss an application of the contents of the course. Your participation in the forum will count towards your final grade.

Some of the weekly topics in the forum might be controversial and people may have different opinions. **It is imperative that you respect other forum users and remain professional and civil.**

Course Learning Outcomes:

As a result of taking this course, the students will understand the basic microeconomic concepts and tools that are required for more advanced specialized economic courses. They will also be able to apply these concepts and tools to analyze real life economic situations. Specifically, the students will learn the most essential microeconomic concepts including Pareto efficiency, social welfare, demand and supply, competitive equilibrium, dominant strategies, Nash equilibrium, market power, collusion, price discrimination, public goods, externalities, and asymmetric information. The students will understand the determinants of demand and supply and market outcomes, including various public policies. The students will learn to identify the circumstances when the market performance is likely to be suboptimal, and which market interventions and/or alternative allocation mechanisms could help.

Course Schedule:

A more detailed weekly schedule can be found in the introductory lesson in OWL.

1. *Social Choice and Welfare*: Arrow's Theorem, Pareto Improvements, Utilitarianism, Social Justice, Transferable Utility
2. *Competitive Markets*: Supply and Demand, Partial Equilibrium, Comparative Statics, Policy Analysis, Market Entry, General Equilibrium, Empirical Issues
3. *Market Failures*: Monopoly, Price Discrimination, Game Theory, Oligopoly, Collusion, Public goods, Externalities, Market for Lemons
4. *Mechanism Design*: Auctions, Public Goods with Incomplete Information, VCG mechanism, Second-Best Mechanisms, Myerson-Satterthwaite

Textbook(s):

The only mandatory reading material are the lecture notes and slides posted on OWL. If you are looking for additional reading material or problem exercise, I recommend [Varian \(2019\) *Intermediate Microeconomic Analysis with Calculus*](#), and the corresponding workbook Bergstrom & Varian (2014) *Workouts in Intermediate Microeconomics*.

Grading:

Your final grade will be a weighted average of your grades on two midterm exams, one final exam, three homeworks, and forum participation with the following weights

- 20% from the first midterm exam to be held via OWL on *February 10th*
- 20% from the second midterm exam to be held via OWL on *March 24th*
- 30% from the *cumulative* final exam to be held during the finals period
- 15% from three problem sets that will be assigned throughout the term
- 10% from forum participation report

The exact time of day of the midterm exams is still TBA, but it will be in the mid-morning ET. In order to accommodate students in different time zones, each midterm will have a make-up exam held from 8-10pm ET. If you would rather take the makeup instead of the regular midterm, I will automatically approve your request, regardless of the reason. But you must email me before the exam to let me know that you will take the make-up.

Given the unusual circumstances we are facing, I will grant academic consideration to anyone who cannot take the midterm or the makeup, regardless of the reason. I will simply transfer the weight to the final exam. This is not a perfect solution, because the final exam for this course tends to be harder than the midterms. However, it will still provide an opportunity to do well in the course for students that cannot take the midterms.

There will be one problem set for each exam. They are meant to help you prepare for the exam. There will be a discussion forum for each problem set, and you are encouraged to ask questions and help each other out. However, you must submit your solutions individually.

At the end of the course I will ask each of you to submit a report on your forum participation. I will provide more details towards the end of the course. In the report, you will have to post links to

contributions that you made throughout the semester. Contributions could include participating in the discussion of weekly topics, asking meaningful questions about the contents of the course or the problem sets, or answering questions that other people have asked. In order to get full participation credit, you must maintain an active participation in the forums throughout the course.

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