

McMaster University, Department of Economics

ECON 2GG3 C01

Intermediate Microeconomics II

Winter 2019

Course Outline

- **Instructor:** Joe Lesica, PhD
- **Office hours:** Tue, Wed 2-3pm and by appointment.
- **Lectures:** Tue, Wed, Fri 12:30-1:20 PM – MDCL 1309
- **Office:** KTH 406
- **e-mail:** lesicaj@mcmaster.ca

You must use your McMaster email account and include the course number in any and all email communications.

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of-class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<https://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicIntegrity.pdf> and <http://academiccalendars.romcmaster.ca/index.php>.

Course Description

The course introduces students to the fundamentals of consumer choice, choice under uncertainty, general equilibrium and welfare analysis. Consumer choice uses familiar tools from ECON 2G03 to examine the problem of individual decision making when consumers are perfectly informed about the value of the outcome of their choices. We then examine how their optimal choices may be affected when the outcome of their actions is not known with certainty or when they have to take into account the choices of others. Finally, we develop a framework for welfare analysis in economies with multiple markets.

Prerequisites - This course is mathematical, requiring a working knowledge of calculus and microeconomic theory from ECON 2G03.

- ECON 2G03 OR ECON 2X03.
- MATH 1M03 or equivalent.

Course Objectives

By the end of the course students should be able to:

- Use microeconomic theory to explain rational consumer behavior in situations of perfect and imperfect information
- Explain the strengths and limitations of the Utility Theory approach to modelling consumer behavior
- Explain under what assumptions unregulated markets lead to efficient allocations of goods, problems that arise when certain assumptions are not met and mechanisms to ameliorate these problems.

Course Materials and Texts

- *Primary Textbook*: Hal Varian - **Intermediate Microeconomics: A Modern Approach**. Ninth Edition, Norton 2014 - Available in the bookstore.
- Bergstrom, T. and Varian, Hal R., **Workouts** (optional)
- *Alternative Textbooks*: Hal Varian - **Intermediate Microeconomics with Calculus**. 1st Edition, Norton 2014 – This is the same textbook as the primary one, but it employs calculus in problem solving. We are going to be using this approach often enough that this version might be a nice option.

Avenue to Learn

Most of the material required for this course will be distributed through the [Avenue-toLearn](#) (A2L) website for our course. You are responsible for monitoring the “Announcements” tab in Avenue on a daily basis, as well as the “Content” tab. Be sure to regularly check the reminders given out under “Announcements” to plan ahead accordingly.

Course Grading

Component	Date	Weight (% of final grade)
Midterm 1	TBA	30%
Midterm 2	TBA	30%
<i>Total Term Work</i>		60%
Final Exam	TBA	40%

Course Evaluation - Details

- **Midterms:** Coverage of the midterms will depend on the pace of the class up to that point in the term. The format of the midterms will include multiple choice questions as well as short answer/ problem solving questions. No make-up exams and no early writes are provided. Midterm grades will be posted on Avenue.
- **Final Exam:** The format of the final exam will be similar to the format of the midterms. The final exam will be **cumulative**. Your final grades will be released by the Registrar's office. Please click [here](#) for details. The Deferred Exam Policy can be found [here](#)

Important Notes:

1. It is your responsibility to check the Avenue-to-Learn website on a daily basis to keep up with the course (news announcements, practice questions etc.)
2. Yes, the final exam will be comprehensive and based on the entire course.
3. I will provide you with some practice/review questions through the Avenue-to-Learn website. There are no marks associated with these exercises but they will help you prepare for the written examinations. The solutions will be posted with some lag. In the meantime, you are encouraged to do your best to solve the questions on your own. The review questions will be more difficult, on average, than the examination questions, so if you feel that you can easily solve the review questions that is a strong signal that you are doing well in the course.
4. While there is no golden rule, if you are pursuing an A+ in this course I recommend the following:
 - a. Attend all lectures. Doing so will make homework much easier, and you will get a sense of what to expect in the examinations.
 - b. Work through the lecture notes, the in-class examples, homework questions and the related chapters from the textbook at home.
 - c. Keep up with the lectures. Catch up if you miss a lecture or a homework assignment as soon as possible - do not postpone studying until the exam period!

Course Content

Material	Chapter in textbook
1. Budget Constraint	2
2. Preferences	3
3. Utility	4
4. Choice	5
5. Demand	6
6. Slutsky Equation	8
7. Uncertainty	12
8. Consumer's Surplus	14
9. Game Theory	29
10. Exchange	32
11. Externalities	35
12. Public Goods	37

Course Policies

- **Grades Scale:** Based on McMaster University scale: for more information, please visit <https://registrar.mcmaster.ca/exams/grades/>
- **Absences, Missed Work, Illness (MSAF):** No make-up midterms and no early writes are provided .
- Please note the MSAF regulations have changed beginning Spring/Summer 2015:
 - The timeframe within which the MSAF is valid has been reduced from 5 days to 3 days.
 - The upper limit for when an MSAF can be submitted has been reduced from 'less than 30%' to 'less than 25%' of the course weight
 - Since the weight of the midterms is 30%, students who miss a midterm are directed to take their documentation to their faculty's associate dean's office. They will be given permission to use a "special" MSAF where they can correctly fill in the weight of the missed test.

- Once I receive the MSAF with the correct weights the weight of the missed midterm will be shifted to the final examination.
- **Where to Get Help:** If you find that your difficulties in this course are too great you are encouraged to discuss them with the instructor as early in the semester as possible. If something is unclear, ask for clarification in advance not just the day before the exam! This is your responsibility.

University Policies

- **Academic Accommodation for Religious, Indigenous and Spiritual Observances:** Students who require academic accommodation due to an Observance must submit a RISO form to their Faculty office, electronically or in person, normally within ten working days from the beginning of each term in which they are anticipating a need for Accommodation. For further information, consult [McMaster University's Policy on Academic Accommodation for Religious, Indigenous and Spiritual Observances](#).
- **Academic Accommodation of Students with Disabilities:** Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements. Academic accommodations must be arranged before classes or academic work begins, and for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail sas@mcmaster.ca. For further information, consult [McMaster University's Policy for Academic Accommodation of Students with Disabilities](#).
- **Course Modification:** The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check his/her McMaster email and course websites weekly during the term and to note any changes.
- **Faculty of Social Sciences E-mail Communication Policy:** Effective September 1, 2010, it is the policy of the Faculty of Social Sciences that all e-mail communication sent from students to instructors (including TAs), and from students to staff, must originate from the student's own McMaster University e-mail account. This policy protects confidentiality and confirms the identity of the student. It is the student's responsibility to ensure that communication is sent to the university from a McMaster account. If an instructor becomes aware that a communication has come from an alternate address, the instructor may not reply at his or her discretion.

Other Notes

- **Students Writing with SAS:** Students registered with SAS must book time to write the midterm tests with SAS. You may only write on the same day as the rest of the class.

Tests written on any other day will not be accepted and a grade of zero will be assigned.

- **Classroom Protocols:** The highest level of courtesy and professional behavior is expected from every student. Be punctual and turn off all audible ringers on all devices during class. As a courtesy to the custodial staff, if you have coffee, water, etc., please dispose of your garbage when you leave the classroom.