

# Microeconomic Analysis & Applications

## ECON208 (Sections 001 and 002)

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McGill University  
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### Course description and objectives

The course aims to introduce students to some basic economic principles and to show them how they can be applied. The course will examine the choices that individuals and firms face, how different market structures respond to these choices, and when/how/why government intervention may or may not be desirable for society as a whole. At each stage you will do some theory and then use it for a variety of applications. The course assumes you have no prior knowledge of economics.

**Study Hints:** I strongly recommend that you keep up with the readings as the lectures progress - don't leave them until exam time, it is very easy to get behind, and difficult to catch up when you do. Economic reasoning builds upon itself, so you need to understand each part as we go along. Lectures, conferences and lecture notes are very important. Lecture notes and answers to conference questions will not be posted on the myCourses web site.

### Administrative Issues

3 credits

Section 001: 2 lectures per week, Tue and Thu 8:35pm-9:55pm in STBIO S1/4

Section 002: 3 lectures per week, Mon, Wed and Fri 9:35pm-10:25pm in STBIO S1/4

#### Contact:

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office hours: Tue 11-13pm in Leacock 313. (This time slot may be changed once I know the TAs' schedules, who will also hold office hours.)

**Text and learning tools:** The **textbook** for this course is *Microeconomics* (13th Canadian Edition) by Ragan & Lipsey, published by Pearson Education Canada. You may find the associated **Study Guide** (by Dickinson & Indart) useful; working through this study guide will considerably help your understanding of the material. These are available at *Paragraphe* bookstore on McGill College Avenue. There will also be some readings supplementary to the textbook. These will be made available electronically (on the course's WebCT page) at the

appropriate time or will be available through the textbook's own web site on **MyEconLab**, at *www.myeconlab.com*.

In addition, continuous class attendance is strongly encouraged. Any points raised in class can end up in the examinations.

**Conferences:** TAs will hold weekly conferences on assigned topics, I strongly advise to attend. There will be two or three TAs for this class, each holding a number of weekly tutorial sessions. The plan is that there will be enough scheduled tutorials so that every student can find one that fits his or her schedule. The purpose of the tutorials is to go over the weekly discussion questions. The TAs will also be prepared to address other material from class or from the textbook. Conferences are expected to start in the 3rd week of semester. Conference rooms, conference times and weekly conference questions will be posted on WebCT.

**Grading:** There will be two online quizzes each worth 10% of your course grade, and a 3-hour final scheduled by the Faculty of Arts in December. Only the quizzes on which you get a higher percentage than in the final will be counted, so the final may be worth 80%, 90% or 100% of your course grade. Under no circumstances will you be allowed to present additional work to increase your grade in the course. Regardless of the reason for not completing an online quiz there will be no deferred quiz. The quizzes will be done through the course WebCT page, preferably on a McGill computer. Any collaboration whatsoever is forbidden. There will be a 5-minute window for logging onto a quiz, after which you can't log in, you can't do the quiz, and you can't get any marks for it.

Anticipated dates & times are:

Quiz #1: Wednesday October 13, 7pm - 8pm

Quiz #2: Monday November 15, 7pm - 8pm

In case of absence at the final exam for medical reasons, please refer to the University Regulations Concerning Final Examinations. Note: According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the Calendar, section 4.7.2.1, General University Information and Regulations at [www.mcgill.ca](http://www.mcgill.ca). Also note: In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded. Finally: In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

**WebCT:** You should regularly check the **myCourses** WebCT page for announcements, up-to-date information, additional readings, conference topics, and other items to assist you in the course. Through this web page you will also be able to ask questions of and receive answers from your fellow students in the course.

**Academic Integrity:** Cheating is bad, everywhere and always. It is your responsibility to understand what is meant by "cheating" at McGill, and thus what behaviour is unacceptable. I am required to have the following statement on the course outline, in both official languages:

McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the code of student conduct and disciplinary procedures (see <http://www.mcgill.ca/integrity/> for more information).

L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site <http://www.mcgill.ca/integrity>).

## Course Outline

Due to time constraints, it is possible that some topics will not be covered or some topics added. I maintain discretion regarding changes in this outline. Any changes will be announced in class and/or on WebCT.

### 1. The basics

- A. Fundamental concepts and approach (Week 1. Chaps. 1 and 2)
- B. Competitive Markets (Weeks 2 and 3. Chaps. 3 to 5)
  - Market demand, supply and price
  - Elasticity of demand and supply
  - Applications and competitive market efficiency

### 2. Consumers and producers

- A. The consumer side of markets (Weeks 4 and 5. Chap. 6)
  - Utility maximization and consumer choice
  - Income and substitution effects
  - Consumer surplus and value

#### *Quiz 1*

- B. The producer side of markets (Weeks 6 and 7. Chaps. 7 and 8)
  - Production and costs in the short run
  - Production, costs and technology in the long run
- C. Market structures and economic efficiency (Weeks 8 to 10. Chaps. 9 to 12)
  - The perfect competition extreme
  - The monopoly extreme, cartels and price discrimination
  - Between the extremes and strategic behaviour
  - Economic efficiency and government policy

### 3. Factor markets (Only if we have time, likely omitted.)

### 4. Government intervention (Weeks 11 and 12. Chaps. 16 and 17)

- Market failures
- The economics of environmental protection

#### *Quiz 2*

### 5. International trade (Weeks 12 and 13. Chaps. 33 and 34)

- Specialization and gains from trade
- Trade policy