



UNIVERSITY OF TORONTO

Department of Economics (St. George) | ECO 204 | Microeconomics Theory (Commerce) |
Summer 2013

Nec Aspera Terrent



Course Description

The Economics Department (STG) offers three intermediate-level microeconomics courses: ECO 200 for Economics majors; ECO 204 for students in the Rotman Commerce program (a joint program between Rotman School of Management and the Faculty of Arts and Sciences); and ECO 206 for Economics Specialists and Commerce students. Given ECO 204's "Commerce" mandate, this course has two main goals: to provide Commerce students a solid foundation of rigorous micro-economic theory and mathematical methods (especially constrained optimization) and to foster Commerce students' business, economic, and analytical skills (mostly) through Harvard Business School case analysis, writing assignments, business reports, and Excel modeling.

This course covers the following topics at an intermediate level and (always) using mathematical models (i.e. we do not rely on graphical arguments and models): constrained optimization methods (especially the Kuhn-Tucker method); consumer theory; decision making under uncertainty; inter-temporal consumption and savings; financial portfolio analysis (CAPM); producer theory; cost analysis (including activity based costing and estimating cost functions from financial statements); analysis of competitive firms and markets (including building and using the actual supply curve of primary aluminum); analysis of firms and markets with market power; price discrimination (including two-part tariffs and pricing with arbitrage possibilities); economics of information; and game theory (including mixed strategies Nash equilibrium and Sub-Perfect Nash Equilibrium).

Tips on doing well in ECO 204: By its very nature, micro-economics ("micro" = "small") consists of hundreds of interconnected concepts. By putting in (some, not a lot) effort continuously you will understand micro much better as compared to studying hard in short bursts (i.e. cramming). In addition to studying continuously, you should study "smartly": develop intuition and see the "big picture", don't memorize models, methods, and solutions to home works and past tests and exams. In a second year university course there is no substitute for *self-learning* (gone are the days of spoon feeding).

You should attend every lecture and tutorial (these are mandatory), print lecture slides and treat lecture slides as teaching aids not as class notes. After each lecture (remember: study continuously), go over and combine the lecture slides with your class notes and try to *understand* the material (the best way to do so is by explaining to someone else). Attempt HWs before tutorials so that you get more out of the solutions. If you get stuck on a HW, go back to your slides/notes and rectify any gaps in your understandings.

ECO 204 tests do repeat questions from past tests and exams. You'll be tested on whether you can apply concepts and techniques to problems you've never seen before and memorizing solutions to previous problems won't give you the tools to solve new problems. In this respect, HW and practice problems are critical for success in ECO 204 and you

should heed Jenn Murdock's advice to students: *"Inappropriate use of the solutions is dangerous for your marks. Assigned problems are designed to help you build skills and to deepen your understanding of the course material. One important skill is being able to figure out a solution approach to a problem that you have not seen before. This skill is routinely tested. By looking at the solutions before you have made every effort to solve the problem yourself, including going back to study your lecture notes and the textbook, you are robbing yourself of a valuable opportunity to practice. After you finish a problem, look at the question again and your answer and think about how this fits into the course, what concepts you used and what assumptions you made"*. [Source]

Course Staff, Office, Office Hours, Lecture & Tutorial Locations

Instructor: Ajaz Hussain

TA: Palermo Penano

E-mail: eco.204@utoronto.ca

E-mail: eco.204@utoronto.ca

Office Hours: Tuesdays 3 - 5 pm in GE 313 **Office Hours:** Thursdays 2:10 pm – 4:10 pm in GE 213

Lectures

Tutorials

Tuesdays and Thursdays: 11 - 2 in MP 203

Fridays: 11 - 2 in MP 203

Attendance at lectures and tutorials is mandatory. Audio and video recordings strictly prohibited

Course Material

● ECO 204 Lecture Slides [Required]

- Posted in detailed course calendar below by Monday and Wednesday midnight
- You are expected to print and bring lecture slides to class in order to take notes
- You can choose the number of slides per page to be printed by going to Print → Print Properties
- Useful site for plots and calculations (equations, algebra, matrices, derivatives, integrals, etc.): Wolfram Alpha

● ECO 204 HWs [Required]

- Posted in course plan section below by Thursday midnight
- HWs are not graded
- Solutions will not be distributed but the TA will go over the HW solutions in the tutorial sections.
- You should re-read the lectures and then attempt the HWs before the tutorials. Resist the temptation to go to the tutorial and copy down solutions – this won't deepen your understanding of the material and is a sure way to do poorly in the course.

● ECO 204 Chapters [Required and updated on a rolling basis]

● Excel [Required]

We *highly* recommend using Excel 2010 or later on Windows. We do not support Excel add-ins and commands for non-Windows platforms

- Please add-in the Developer Tab and Data Analysis (VBA) and Solver tools (instructions)
- Having problems downloading Excel files?
 - Solution 1: Don't use Microsoft's Internet Explorer; instead try using another browser such as Firefox.
 - Solution 2: Download the file and change the file extension from .zip to .xlsm. For example if the file name reads model.zip click on the file name once, and change ".zip" to ".xlsm".

- **Harvard Business School (HBS) Cases [Required]**

The following cases can be purchased from Harvard Business School Press by going to <https://cb.hbsp.harvard.edu/cbmp/access/19521950>. Please register as a student, pay by credit card, and download the files onto your computer:

- *The Prestige Telephone Company* (comes with Excel data supplement)
- *Container Transportation Compan*
- *The Aluminum Industry in 1994*
 - Excel file with cost data for the 157 primary aluminum smelters in the case (password: quasifixed)

- **Supplementary Material [Optional]**

- *Introduction to Economic Analysis*
 - Applied Theory of Price
 - Martin Osborne's Math Tutorial
 - Economist Magazine Style Guide
 - The Elements of Style
 - The Case Study Handbook
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Course Evaluation

Test 1 = 15%

6 - 8 pm, Friday, June 7th in TBA
Please see policies on missed tests below.

Test 2 = 15%

6 - 8 pm, Friday, July 5th in TBA
Please see policies on missed tests below

Test 3 = 15%

6 - 8 pm, Friday, August 2nd in TBA
Please see policies on missed tests below

Project 1 = 5%

Due by 11 pm, Friday, June 14th through Assignment Tab in ECO 204 Blackboard **and** turnitin.com (Class ID: 6447674, pw: PTCTC).

*Please see Turnitin disclaimer policy below.

Project 2 = 5%

Due by 11 pm, Friday, June 28th through Assignment Tab in ECO 204 Blackboard

Project 3 = 10%

Paper **and** Excel due by 11 pm, Friday, July 26th through Assignment Tab in ECO 204 Blackboard Paper (not Excel) due by 11 pm, Friday, July 26th turnitin.com (Class ID: 6447674, pw: PTCTC).

*Please see Turnitin disclaimer policy below.

Final Exam = 35%

3 hours long at time and location TBA by Faculty of Arts and Sciences

Procedures for appealing test marks are outlined here
Procedures for appealing course marks are outlined at A&S here

For all questions and issues related to the final exam, please contact your college registrar.

***Disclaimer concerning Turnitin.com**

Students agree that by taking this course all required papers will be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism.

All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers.

The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site."

Tests and Exam Policies

- If you have a direct conflict with a test, you must email the Course Coordinator one week before the test to make alternative arrangements (ex: take the test at an earlier time on the same day).
- All tests begin 10 minutes after the hour. For example, a 6 – 8 pm test will be from 6:10 – 8 pm. You must be in the exam room on time (ideally 10 minutes before the test starts). You will not be given extra time if you're late.
- Please bring a scientific calculator and your student ID to all tests and exams.
- During the test you must show your student ID and sign the "signup sheet". Stay seated until all tests have been collected and counted. You cannot leave the room in the last 10 minutes.
- It is your responsibility to write your name and ID # on tests as they appear in ROSI. Failure to do so will result in a 5% penalty per incident.
- Students can appeal test grades by typing up their reasons for a request using the electronically fillable Test Remark Request form and submitting the signed form stapled to the test in person to the Course Coordinator as soon as possible and at most two weeks of the tests being returned to the class. Please e-mail the Course Coordinator at eco.204@utoronto.ca for an appointment to submit the form. Please note that following an appeal, your test score can increase, decrease, or stay constant.
- You will be given a zero score on any missed test(s) unless you give the Course Coordinator an appropriate and convincing typed explanation or medical note within 3 calendar (not business) days of the missed test. Please e-mail the Course Coordinator at eco.204@utoronto.ca for an appointment to submit the explanation/medical note. If you miss a test due to an illness then you must provide the Course Coordinator an original University of Toronto medical certificate (photocopies or emailed certificates will NOT be accepted). The note:
 - Must list the physician's OHIP number. Clearly state that on the date of the test you were too sick to write the test. Illness before the test is not sufficient grounds for missing the test nor are statements that you would have performed sub-optimally. If you are excused for missing a test or tests, you will write a comprehensive makeup test on Friday, August 9th, from 5 – 8 pm in GE 213. The makeup test will covers all material in the course up to the last lecture before the make-up test. Makeup tests are not "bell curved". Consistent with university policy, there is no "make-up" test for the make-up test. No medical excuses will be accepted for missing the makeup test and a grade of zero will be applied

Projects Policies

- All files *must* be named Lastname_Firstname
- Penalty for late submissions: 5% penalty per day
- Penalty for failure to write your name on the paper as it appears in ROSI: 5% penalty per incident.
- Please see and use Economist Magazine Style Guide (see excerpts below). You are encouraged to use the Writing Centers at University of Toronto.
- All papers and Excel files must be submitted through the relevant Assignment tab in Blackboard tab and additionally papers must also be submitted through turnitin.com (Class ID: 5504396, pw: fw2042012).
- Students can appeal paper grades by typing up their reasons for a request using the electronically fillable Paper Remark Request Form and submitting the signed form in person to the Course Coordinator as soon as possible and at

most *two weeks of the paper being returned to the class*. Please e-mail the Course Coordinator at eco.204@utoronto.ca for an appointment to submit the form. Please note that following an appeal, your paper score can increase, decrease, or stay the same (according to University policy: “ .. *such a request entails a remarking of the work. Hence, if a remarking is granted, the student must accept the resulting mark as the new mark, whether it goes up or down or remains the same. Continuing with the remark or the appeal means the student accepts this condition.*”)

Academic Integrity

Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honors the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently. According to Section B of the University of Toronto’s *Code of Behavior on Academic Matters* which all students are expected to know and respect, it is an offense for students:

- To obtain unauthorized assistance on any assignment. showing another student completed work (e.g., an answer in a test)
 - To falsify or alter any documentation required by the University. This, includes, but is not limited to, doctor’s notes.
 - To use or possess an unauthorized aid in any test or exam
 - To continue writing the exam after being instructed to stop writing.
 - There are other offenses covered under the Code but these are by far the most common. Please respect these rules and the values which they protect.
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