

UC SAN DIEGO
ECON 2: MARKET IMPERFECTIONS AND POLICY
SPRING 2013

MWF 3 - 3:50 PM IN CENTR 119

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OFFICE HOURS: FRIDAYS 12:30 PM - 2:30 PM IN SEQ 236

I. WHAT THIS COURSE IS AND WHAT YOU'LL GET OUT OF IT

WHAT IS THIS COURSE ABOUT? Welcome to Econ 2! In Econ 1, Principles of Microeconomics, we primarily focused on efficient markets. The best example of this is “supply=demand;” with perfect competition, firms make zero profits. Conversely, in Econ 2, we examine what happens when “perfections,” or, “efficiency” become “imperfections,” or, “inefficiency.” Then, we examine how policy can be used to reestablish efficiency.

WHY SHOULD YOU CARE? No matter what your objectives for work or study are, the topics in Econ 2 are relevant to you. Why is the service from the local cable company so bad? What can we do about polluting companies? What is the source of wage inequality, and how can we help those on the lower end of the distribution without being unfair to those on the top? These are just some of the wide range of questions we will address.

IS THIS COURSE FOR YOU? The only prerequisite for this class is Econ 1, Principles. In addition, only a high school-equivalent understanding of mathematics is necessary, as we will not work with calculus, and any use of probability and/or statistics will be prefaced with lectures on how they will be used. Since the class deals with policy, it is not only useful for budding economists, but directly applicable for those majoring in government or related majors. In addition, even those in majors that are not directly related will find the material in this course invaluable for understanding the news and how the government intervenes in private markets. Finally, although this course is not technically necessary for the economics major, all of the topics covered are those that economics majors will see in upper-level courses, so it is strongly recommended economics majors take it.

WHAT WILL YOU LEARN? The primary goal of this class is to familiarize you with microeconomic theory when the convenient assumptions made in Econ 1 cease to hold. Ultimately,

the goal is that you will be such a master in these topics, that you will be able to apply them in real world situations which have many more complications than textbook examples. But if you're taking this class, economics itself is new to you! Therefore, it is also important that in this class we learn *how to learn* economics.

1. You see a new topic, you don't get it. That's fine! Don't panic. Understand what you don't understand.
2. You see the topic over and over, you do problems in class and at home. You build mastery.
3. Finally, you are able to apply these methodologies to situations in the real world. You have achieved mastery.

I will return to this three-step pedagogy again and again in this class. Ultimately, you will learn not only the topics presented in this class with mastery, but become a master of learning economics, an invaluable skill for future courses.

II. BASIC INFORMATION

ABOUT ME. Please call me Steve, Stephen, Mr. Morris, Professor, "Hey You", or any other name you like. I am a Boston native and PhD candidate in economics at UC San Diego, where my concentrations are macroeconomics and econometrics. Before academia, I worked as a researcher in the US government and on Wall Street. Besides the material in class, I encourage you to solicit my advice about your path through and after college, or about internships and/or recommendations.

CONTACT. My office is SEQ (Sequoyah) 236. However, aside from my office hours this quarter, Fridays 12:30-2:30, I can not guarantee I will always be in my office, so please try to make it during those scheduled hours. Also, please **do not email me or the teaching assistants except for emergencies**. This is not because we do not like hearing from you, but because with 150 people, it quickly becomes impossible for us to respond to every question. Instead, we will love to hear from you and answer your questions in class, sections, or hours. Or, you can also always use the course website, described below.

TEACHING ASSISTANTS. You have 4 truly fantastic TAs. Please find their information and office hours in the "About" page of the class website, below. In addition, it is vital that you take advantage of the discussion sections these TAs will hold. There you will learn the right way to do homework problems, which I may not have time to go over in lecture.

Understanding how to do these problems as your TAs do is your single best bet for doing well on the exams. The discussion sections are below.

Section	Time and Place	TA
A01	M 5-5:50pm CENTR 222	Jacob Johnson (Head TA)
A02	W 9-9:50am CENTR 222	Denise Clayton / Elizabeth Yang
A03	F 12-12:50pm PCYNH 121	Myungkyu Shim

EXAMS AND ASSIGNMENTS. In this class I will assign problem sets for completion at home, along with one midterm and one final. Problem sets will cover material that has not been seen yet; the idea is that you read the book and do the problems on your own, then we discuss the material in class together. Exams will be traditional closed-book and in-class, but will be far less challenging than problem sets. In general, if you have done all of the problem sets and understand all problems, you can expect to do very well on the exams. The schedule for these exams is on the class calendar, and below. Make sure you have no conflicts now!

EVALUATION CRITERIA AND GRADING. Problem sets will be graded for completion, and not accuracy. So, even though you got a 100% on your problem sets, you want to make sure you have the correct answers when you study for the exams. Answers will not necessarily always be available in teaching assistant discussion sections, and may or may not be available online. The final will be mostly non-cumulative, but will contain some elements from the previous midterm.

ASSIGNMENT	DATE	% GRADE
Sign up to class website	ASAP	1%
Problem Set 1	Due Mon Apr 8	3%
Problem Set 2	Due Mon Apr 15	3%
Problem Set 3	Due Mon Apr 22	3%
Problem Set 4	Due Mon Apr 29	3%
Midterm	Fri May 3	30%
Problem Set 5	Due Fri May 13	3%
Problem Set 6	Due Fri May 20	3%
Problem Set 7	Due Mon May 27	3%
Problem Set 8	Due Mon June 3	3%
Final	Wed June 12, 3-6pm, location TBA	45%
Problem Set Total		25%
Exam Total		75%

You should not expect grades to be curved unless I specifically say that they will be. In addition, I am strict about lateness of problem sets and absences from exams. Please see Section (VI). In addition, extra credit is available. See the section on the class website below.

III. TEXTBOOK AND TECHNOLOGY

TEXTBOOK. The textbook for this class is *Principles of Economics, 4th Edition, UCSD Custom* by Bernanke and Frank. Note, there are many versions of this book available, but all assignments will be made out of this edition. Please make sure you have the right one! It is likely the same you used for Econ 1.

CLICKERS. In this class we will be using Clickers, specifically, “i>clicker 2”, available at the bookstore. If you have never seen these before, they look like remote controls with A-E buttons, and can be used for you to answer multiple choice questions I put on the projector. How will we be using these? Generally, I will break up lectures by posing questions, having you answer them, and then allowing you to discuss with neighbors. Why will we use these? The easy answer is that it will help everyone become engaged, and allows me to see if everyone is following what I am teaching. If you’ve never used them before, trust that they not only make class more fun to go to, but easier to learn from.

COURSE WEBSITE. Many classes at UCSD use “TED,” which, as you know, has its faults. I will be hosting this class on Wordpress at the following site:

econ2ucsd.wordpress.com

On this website you will not only find the slides from class and homework assignments, but updates about the class, and blog posts I will have about what we discussed in lecture. Also, you can comment on my posts anonymously to share what you are unclear about, but are afraid to ask in class. Finally, you can respond to your classmates with answers. **You are encouraged to use your real name: Each week, I will choose the best answer one student gave to another, and award that student extra credit.** You should go to this site ASAP and click the button on the right-hand side to receive email updates.

IV. OUTLINE OF TOPIC AREAS

If you’re reading this before the class has begun, the terms below will probably not mean much to you. The hope is that as the course goes on, you will be able to look back at this syllabus, and see that certain terms have meaning to you, and that you can make a sublist

of important points extending from each. You can expect each of the 8 sections below to take up about 3 lectures.

1. Ch 7: Efficiency and Exchange
2. Ch. 9: Monopoly, Oligopoly and Monopolistic Competition
3. Ch. 10: Games and Strategic Behavior
4. Ch. 11: Externalities and Property Rights
5. Ch. 12: The Economics of Information
6. Ch. 13: Labor Markets Poverty and Income Distribution
7. Ch. 14: The Environment, Health and Safety
8. Ch. 15: Public Goods and Tax Policy

V. TEACHING PHILOSOPHY AND COURSE EXPECTATIONS

STUDENT-CENTERED LEARNING. In my experience, courses which are built solely on the lecture format are boring and unhelpful. Although I will be doing a good amount of lecturing, just to get the information to you, I will also make time during class to ask you to try to work on problems, confer with your classmates, and defend your position. This will be done using the Clickers and otherwise. This not only makes the course more interesting, but the practice of doing the problems in class will help you realize what you need help on, and will get you into the habit of conferring with your colleagues like the professional economic analyst you will become.

ATTENDANCE AND PARTICIPATION. Because I believe in conferring with your classmates is paramount to learning, it is especially important that you come to class and speak. Sometimes, people feel nervous about speaking in class, but I will be asking many people to speak up with their opinions. Think of this as a learning experience in itself, since you will have to speak in front of large groups soon, whether in the workplace or elsewhere. With respect to attendance, since I can not spend the beginning of each class taking attendance, you will not directly lose credit from not attending. However, if you do miss classes, you will quickly find yourself falling behind in the class material, which will directly affect your exam performance.

ADVICE ON HOW TO STUDY. We will be doing many practice problems in class, along with seeing others on the problem sets. Expect the exams to contain questions very similar to these. A good way to quiz yourself is to get a problem down, change some of the numbers given in the problem, and see if you can still do it.

VI. CLASSROOM ENVIRONMENT AND RULES

RESPECT FOR CLASSMATES. Disrespectful treatment of your classmates will result in my asking you to leave the class.

CELLPHONES AND COMPUTERS. All personal electronic devices, aside from Clickers, must be turned off in the classroom. There is really no reason to be using a personal computer, since most of the note-taking will be on mathematics and drawn graphs, which can only effectively be done by hand. **If I catch you using a computer or cellphone, or your cellphone rings out loud, I take the device and you pick it up later in the day in my office.**

LEGITIMATE ABSENCES FROM EXAMS. The only acceptable excuse for missing an exam is a medical emergency with a signed doctor's note. This absolutely includes family emergencies, flat tires, etc. Please know that I have to be hardline about this, and no other excuses will be excepted, period.

LATE PROBLEM SETS. Late problem sets will receive a 10% deduction in grade for each day they are late.

CHEATING. Don't. I'll fail you and report you to the Dean.

OTHER TOPICS. Please see the UCSD website for the University's formal rules on the following issues. All University standards will be upheld in this course:

- Appropriate Student Use of Class Notes and Course Materials
- Student Conduct Code
- Sexual Harassment
- Equity and Diversity
- Rights for Students With Mental and Physical Disabilities