Instructor: Moshe Lander
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Phone: 514-398-2102
Office Location: LEA 526
Office Hours: MW 12:00 – 13:00
Lecture Hours: TR 11:35 – 12:55
Lecture Location: LEA 26
Teaching Assistant: Miss Wenmei Tu (wenmei.tu@mail.mcgill.ca)
Teaching Assistant: Mr Cristian Stratica (cristian.stratica@mail.mcgill.ca)

Course Overview:

Course Restrictions:
No credit is given for ECON230D unless both…
- D1 is completed successfully in Fall 2018 and
- D2 is completed successfully in Winter 2019.

Number of Credits:
6 credits for ECON 230D, upon successful completion of ECON 230D2.

Required Textbook and Materials:
  - The textbook can be purchased at Librairie Paragraphe Bookstore (2220 McGill College Avenue).
  - Use the instructor code lander79069 to purchase MyStatLab at: www.pearsonmylabandmastering.com/northamerica/mystatlab/students/get-registered/index.html
  - A copy of this textbook is on reserve at the Humanities and Social Sciences Library.

Correspondence:
All correspondence in this class will be directed through McGill email addresses only. Any email coming from any other address will be directed to spam immediately and will neither be read nor answered. If you have not activated your account already, please follow the instructions at www.mcgill.ca/it/get-started-it/students.

1 In the event of extraordinary circumstances beyond the University’s and/or instructor’s control, the content and/or evaluation scheme in this course is subject to change. Announcements will be made in class and/or myCourses.
Course Assessment:

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>WEIGHT</th>
<th>CONTENT</th>
<th>DATE</th>
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<tbody>
<tr>
<td>Midterm 1</td>
<td>30 percent</td>
<td>Chapters 11 – 13</td>
<td>February 14</td>
</tr>
<tr>
<td>Midterm 2</td>
<td>30 percent</td>
<td>Chapters 14 – 16</td>
<td>March 21</td>
</tr>
<tr>
<td>Final</td>
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<tr>
<td>Labs</td>
<td>00 percent</td>
<td>Chapters 11 – 16, 18 – 20</td>
<td>Weekly</td>
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</table>

- D1 and D2 are each worth 50 percent of the overall grade, except in the situation described on the next page (see Honours to Major Transfers). The weights listed in this table are only for the D2 portion of the course.

Exams:
- There are two midterm exams written outside of class time (Thursday, February 14 and Thursday, March 21) and one final exam written during the final exam period. While the instructor will announce the date, time and location of the final exam, the student is ultimately responsible for ensuring the accuracy of the information.
- The final exam is cumulative (i.e., it covers everything from the beginning of D2), while the midterm exams only cover material from the first and second thirds of D2, respectively (see Lecture Schedule & Assigned Readings).
- All exams consist of multiple choice questions and problem questions that may involve algebra, equations, graphing and interpretation. Students may use non-programmable calculators. Any other study aids are prohibited.
- A student who misses a midterm exam for a “valid” reason can choose to have the weight added to the final or write a deferred midterm exam in its place.
- The winter deferred exam, written in August 2019, is based solely on the material covered in D2. The instructor shall determine a student’s eligibility to write a winter deferred exam.
- There is no supplemental exam for D2 alone. The supplemental exam, written in August 2019, shall count for 100 percent of the course grade and contain material from both D1 and D2.

Labs:
- There is one ungraded MyStatLab lab for each chapter covered. These labs are very similar to the more traditional, hardcopy assignments that students would submit to instructors. The purposes of the labs are (1) to reinforce material covered in class; (2) to teach material for which there is insufficient time in class; (3) to keep students on track with course learning objectives; and, (4) to provide students with immediate evaluation and feedback.
- Students can access the labs at http://portal.mypearson.com/mypearson-login.jsp after they have purchased the access code and registered in the appropriate section. Labs have neither a deadline nor a time limit nor a limit to the number of attempts.
- Address all technical questions directly to MyStatLab (http://247pearsoned.custhelp.com/app/ask) and not the instructor.
- Each lab consists of some multiple-choice, graphical, numerical and conceptual questions. Evaluation and feedback is provided immediately after submitting answers.
- Some MyStatLab questions are based on computer algorithms. This means that every time a lab is attempted, some parameters (e.g., numbers, wording) of the questions may differ.
Honours to Major Transfers:

- Students that enter ECON 230D2 under the special provisions allowing transfer from ECON 250D2 may transfer during the January add/drop period in the Winter semester. (Transfers at any other times are not permitted.)
- For students transferring at that time, their grade in ECON 250D1 will count for 25 percent and the grade obtained in ECON 230D2 will count for 75 percent when computing their grades in 230D.

Grade Criterion:

<table>
<thead>
<tr>
<th>Letter</th>
<th>Points</th>
<th>Percent</th>
<th>Letter</th>
<th>Points</th>
<th>Percent</th>
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<tr>
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<td>B</td>
<td>3.0</td>
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<td>A-</td>
<td>3.7</td>
<td>80 – 84</td>
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<td>3.3</td>
<td>75 – 79</td>
<td>C+</td>
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<td>55 – 59</td>
<td>D</td>
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<td>00 – 49</td>
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- The official grade in this course is the letter grade. Where appropriate, a class average appears on transcripts expressed as the letter grade most representative of the class performance.
- Students must obtain a grade of C or better in cases where this course fulfills program requirements.

Instructional Method:

I have been told that my lecture style is fast-paced and intense but engaging and humorous. Although students often find that this style makes the concepts easier to understand, they are often disappointed when they fail to perform to the level to which they are accustomed on my exams. My exams tend to reward those that are sufficiently knowledgeable of the underlying concepts and have developed an intuitive approach to the material. **Memorisation is almost never rewarded.**

To give you the best chance for success in my course, I strongly encourage you to come prepared and on time, avoid absences, participate regularly with a positive attitude, read the relevant materials before class and do the assigned homework before the subsequent class, dress appropriately and identify problems and seek help as soon as they occur.
Lecture Schedule and Assigned Readings:

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
<th>COVERAGE</th>
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<tbody>
<tr>
<td>January 8</td>
<td>Monopoly</td>
<td>Chapter 11</td>
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<td>January 10</td>
<td>Monopoly</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>January 15</td>
<td>Monopoly</td>
<td>Chapter 11</td>
</tr>
<tr>
<td>January 17</td>
<td>Pricing and Advertising</td>
<td>Chapter 12</td>
</tr>
<tr>
<td>January 22</td>
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<td>Chapter 12</td>
</tr>
<tr>
<td>January 24</td>
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<td>Chapter 12</td>
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<td>January 29</td>
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<td>Chapter 13</td>
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<td>January 31</td>
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<td>Chapter 13</td>
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<tr>
<td>February 7</td>
<td>Game Theory</td>
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<td>Chapters 11 – 13</td>
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<tr>
<td>February 19</td>
<td>Factor Markets</td>
<td>Chapter 15</td>
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<td>Factor Markets</td>
<td>Chapter 15</td>
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<td>Factor Markets</td>
<td>Chapter 15</td>
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<td>February 28</td>
<td>Interest Rates, Investments and Capital Markets</td>
<td>Chapter 16</td>
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<td>March 7</td>
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<tr>
<td>March 12</td>
<td>Interest Rates, Investments and Capital Markets</td>
<td>Chapter 16</td>
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<td>March 14</td>
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<td>Chapter 16</td>
</tr>
<tr>
<td>March 19</td>
<td>Externalities, Open Access and Public Goods</td>
<td>Chapter 18</td>
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<td>March 21</td>
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<td>Chapter 18</td>
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<tr>
<td>March 21</td>
<td>MIDTERM 2 (17:35 – 19:55, LEA 132)</td>
<td>Chapters 14 – 16</td>
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<td>March 26</td>
<td>Externalities, Open Access and Public Goods</td>
<td>Chapter 18</td>
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<td>Asymmetric Information</td>
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<td>April 2</td>
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<td>Asymmetric Information</td>
<td>Chapter 19</td>
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<td>April 9</td>
<td>Contracts and Moral Hazards</td>
<td>Chapter 20</td>
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<td>Chapter 20</td>
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<tr>
<td>TBD</td>
<td>FINAL EXAM</td>
<td>Chapters 11 – 16, 18 – 20</td>
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</table>
Course Topics Examined:

Chapter 11
- Like all firms, a monopoly maximises its profit by setting its price or output so that its marginal revenue equals its marginal cost.
- How much the monopoly’s price is above its marginal cost depends on the shape of the demand curve it faces.
- By setting its price above marginal cost, a monopoly creates a deadweight loss.
- Two important causes of monopoly are cost factors and government actions that restrict entry, such as patents.
- The welfare loss of a monopoly can be reduced or eliminated if the government regulates the price the monopoly charges or allows other firms to enter the market.
- If its current sales affect a monopoly’s future demand curve, a monopoly that maximises its long-run profit may choose not to maximise its short-run profit.

Chapter 12
- A firm can increase its profit using price discrimination if it has market power, if customers differ in their willingness to pay, if the firm can identify which customers are more price sensitive than others, and if it can prevent customers who pay low prices from reselling to those who pay high prices.
- If a monopoly can charge the maximum each customer is willing to pay for each unit of output, the monopoly captures all potential consumer surplus and the efficient (competitive) level of output is sold.
- A firm that lacks the ability to charge each individual a different price may be able to charge different prices to various groups of customers that differ in their willingness to pay for the good.
- A firm may set different prices for large purchases than for small ones, discriminating among consumers by inducing them to self-select the effective price they pay based on the quantity they buy.
- By charging consumers a fee for the right to buy a good and then allowing them to purchase as much as they wish at an additional per-unit fee, a firm earns a higher profit than with uniform pricing.
- By selling a combination of different products in a package or bundle, a firm earns a higher profit than by selling the goods or services separately.
- A monopoly advertises in order to shift its demand curve and increase its profit.

Chapter 13
- The number of firms, price, profits and other properties of markets vary, depending on whether the market is monopolistic, oligopolistic, monopolistically competitive or competitive.
- If firms successfully coordinate their actions, they can collectively behave like a monopoly.
- In a Cournot oligopoly, firms choose their output levels without colluding and the market output, price and firms’ profits lie between the competitive and monopoly levels.
- In a Stackelberg oligopoly, in which a leader firm chooses its output level before its identical-cost rivals, market output is greater than if all firms choose their output simultaneously and the leader makes a higher profit than the other firms.
- In a Bertrand oligopoly, in which firms choose prices, the equilibrium differs from the quantity-seeking equilibrium and depends on the degree of product differentiation.
- When firms can freely enter the market but, in equilibrium, face downward-sloping demand curves, firms charge prices above marginal cost but make no profit.
Chapter 14
- A static game is played once by players who act simultaneously and hence, at the time they make a decision, do not know how other players will act.
- If a static game is repeated over many periods, firms may use more complex strategies than in the static one-period game because a firm’s action in one period may affect its rivals’ actions in subsequent periods.
- If one firm acts before its rival, it may gain an advantage by converting what would be an empty threat to its rival into a reliable, observable action.
- An auction is a game where bidders have incomplete information about the value that other bidders place on the auctioned good or service.
- Some people make biased decisions based on psychological factors rather than using a rational strategy.

Chapter 15
- The intersection of the factory supply curve and factor demand curve (which depends on firms’ production functions and the market price for output) determines the equilibrium in a competitive factor market.
- If firms exercise market power in either factor or output markets, the quantities of inputs and output sold fall.
- A monopsony maximises its profit by paying a price below the competitive level, which creates a deadweight loss for society.

Chapter 16
- Interest rates tell us how much more money is worth today than in the future.
- Investing money in a project pays if the return from that investment is greater than that on the best alternative when both returns are expressed on a comparable basis.
- Scarcity, rising costs of extraction and positive interest rates may cause the price of exhaustible resources like coal and gold to rise exponentially over time.
- Supply and demand in capital markets determine the market interest rate, which affects how much people invest.

Chapter 18
- By-products of consumption and production may benefit or harm other people.
- A competitive market produces too much of a harmful externality.
- Taxation or regulation can reduce or prevent the overproduction of pollution and other externalities.
- With a harmful externality, a non-competitive market equilibrium may be closer to the socially optimal level than that of a competitive equilibrium.
- Clearly assigning property rights allows exchanges that reduce or eliminate externality problems.
- If goods lack rivalry or exclusion, competitive markets suffer from a market failure.
Chapter 19
- Adverse selection may prevent desirable transactions from occurring, possibly eliminating a market.
- To reduce the harms from adverse selection, government actions or contracts between involved parties may equalise information between the parties or restrict the informed party’s ability to exploit the uninformed party.
- If some consumers incorrectly think that quality varies across identical products, a firm may price discriminate.
- Consumers’ ignorance about the price that each firm charges gives firms market power.
- Attempts to eliminate information asymmetries in hiring may raise or lower social welfare.

Chapter 20
- How much the agent produces depends on how the principal compensates the agent and the principal’s ability to monitor the agent’s actions.
- A principal and an agent may agree to a contract that eliminates the moral hazard or strikes a balance between reducing the moral hazard and optimal risk sharing.
- Employees work harder if an employer monitors their behaviour and makes it worthwhile for them to keep from losing their jobs.
- As a restraint against taking advantage of employees, an employer may agree to contractual commitments that make it in the employer’s best interest to tell employees the truth.
- By observing which type of contract an agent picks when offered a choice, a principal may obtain enough information to reduce moral hazards.
Language of Submission:
In accordance 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.

Academic Integrity:
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*.

Text-Matching Software:
As per McGill University’s *Policy on Text-Matching Software*, this course uses such software. Item 2 of the Policy states, in part, that, “Students shall also be informed in writing before the end of the drop/add period that they are free, without penalty of grade, to choose an alternative way of attesting to the authenticity of their work. Instructors shall provide students with at least two possible alternatives that are not unduly onerous and that are appropriate for the type of written work.”

If you prefer an alternative way of attesting to your work’s authenticity be used, you may choose to…
- Submit copies of multiple drafts;
- Submit photocopies of sources;
- Take an oral examination directed at issues of originality; or,
- Respond in writing to a quiz or questions directed at issues of originality.

Student Assessment Policy:
The *University Student Assessment Policy* exists to ensure fair and equitable academic assessment for all students and to protect students from excessive workloads. Students are encouraged to review this Policy, which addresses multiple aspects and methods of student assessment (e.g., the timing of evaluation due dates and weighting of final examinations).

Copyrighted Materials:
Instructor-generated course materials (e.g., handouts, notes, summaries, exam questions, etc.) are protected by law and may not be copied or distributed in any form or in any medium without explicit permission of the instructor. Note that infringements of copyright can be subject to follow up by the University under the *Code of Student Conduct and Disciplinary Procedures*.

Inclusive Learning:
While I endeavor to provide an inclusive learning environment, if you experience barriers to learning in this course, do not hesitate to discuss them with me and/or with the *Office for Students with Disabilities*.

End-of-Course Evaluations:
*End-of-Course Evaluations* are one of the ways that McGill works towards maintaining and improving the quality of courses and the student’s learning experience. You will be notified by e-mail when the evaluations are available.

Students’ Rights:
Additional policies governing academic issues that affect students can be found in the *Handbook on Student Rights and Responsibilities*.