

Economics 415

Market Failures

Fall 2019

Instructor:	Michelle Sheran-Andrews
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Office:	200D Gardner Hall
Class Meeting:	MWF 1:25–2:15pm
Classroom:	Gardner 307
Prerequisite:	ECON 101, and one of MATH 152, 231, STOR 112, or 113
Website:	http://sakai.unc.edu
Office hours:	Mondays from 3:00-4:30pm, Tuesdays from 1:00-2:30pm and Fridays from 12:00-1:00pm in the EconAid Center (Gardner 009). These are open office hours for all my students, including ECON 410 students. I use <i>My Digital Hand</i> (instructions posted in the EconAid Center) to organize students into a queue upon arrival.

1. Class Description

This course is a continuation of ECON410. While ECON410 dealt with basic price theory and market “successes,” this course will mainly cover market failures. We will first explore the notion of efficiency and equity in both a partial and general equilibrium framework. We will then add behavioral economics, asymmetric information, externalities, public goods, and market power to models learned in both ECON101 and ECON410 to analyze the effects on economic efficiency.



2. Class Expectations

- Regular attendance and class participation are required.** If you miss a class, it is your responsibility to get the notes from a classmate and attend office hours with any questions. Keep in mind that while my PowerPoint slides are posted on Sakai, much of the material covered in class is not on these slides.
- You should spend a *minimum* of 5 hours per week studying for ECON415 outside of class.** It is highly unlikely that studying “a lot” the week before the exam will make up for not studying enough in the weeks preceding the exam. Please read and consider adopting the study tips presented in section 7 of this syllabus.
- Seek help immediately if you are doing all the required work and are still having difficulty with the material.** I’m here to help you!

3. Class Conduct

- a. Please do not talk excessively to your neighbors during class except when permitted to discuss a problem. It can distract the students around you. It also really distracts me ☹️
- b. Laptops are *strongly discouraged*. If you feel that using a laptop is the most effective way for you to take notes, I request that you **sit in one of the two back rows** to avoid distracting your peers.

In deciding whether you'd like to use a laptop, please consider the following.

- i. In general, note-taking by hand (on paper or a tablet) leads to higher retention than typing notes on a computer.
<http://www.theatlantic.com/technology/archive/2014/05/to-remember-a-lecture-better-take-notes-by-hand/361478/>.
 - ii. Multitasking on an electronic device during lectures has been shown to decrease only the grades of the multitaskers, but also the grades of the people seated around not them. <http://www.cbc.ca/news/technology/laptop-use-lowers-student-grades-experiment-shows-1.1401860>
- c. Cellphones should be silenced or turned off and stored out of sight during class. “Multi-tasking” on your cellphone during class is not conducive to learning and creates a negative externality imposed not only on your classmates but also on me ☹️

4. Class Resources

- a. **Textbook:** The recommended textbook is either *Microeconomics* by David Besanko and Ronald Braeutigam OR *Microeconomics* by Douglas Bernheim and Michael Whinston. You do NOT have to purchase the most recent version of either textbook.
- b. **Calculator:** Only a very basic, non-programmable calculator is permitted during exams. If your calculator does not look like the two examples pictured below, it must be approved by me before an exam. *The calculator must obviously appear to be basic and non-programmable.* **NO EXCEPTIONS** will be permitted.



- c. **PowerPoint Slides:** PowerPoint slides will be posted on Sakai *before* the material on the slides is covered in class. During class, I will not talk at a pace that allows you time to copy all the material on these slides. Thus, I strongly recommend that you print out (or copy by hand) these slides in advance.
- d. **Practice Problems:** Practice problems are posted on Sakai. These problems serve as a bridge between lectures and homework assignments. You are *strongly encouraged* to work through these practice problems *before* completing a homework assignment. You will benefit so much more if you do these problems thoroughly and completely *before* looking at the solutions.
- e. **EconAid Center:** The EconAid Center is located in Gardner 009. This is where my office hours will be held and where students can work on their assignments individually or in groups. There will also be free ECON 410 peer tutoring during the week for students in need of assistance with prerequisite intermediate microeconomic theory. The EconAid Center is open from 8am to 8pm every weekday. A link to the EconAid's peer tutoring schedule is posted on the *Overview* page of our *Sakai* site.

5. Grades

Component	% Course Grade
Reading Assignments	10
Problem Sets	10
Class Participation	10
Midterm Exams	40
Final Exam	30

- a. **Reading Assignments:** There will be 10 reading assignments. Your reading assignment will be graded 75% on completion and 25% based on correctness of one randomly chosen question. Your lowest reading score will be dropped at the end of the semester before I calculate your average. You will submit your answer through *Gradescope*. Specific submission instructions will be provided with each homework assignment. You are responsible for ensuring that your homework is properly submitted and clearly legible. Any part that cannot be read will be assigned a zero.
- b. **Problem Sets:** There will be 5 problem sets. Your lowest problem set score will be dropped at the end of the semester before I calculate your average. You will submit your answers through *Gradescope*. Specific submission instructions will be provided with each homework assignment. You are responsible for ensuring that your problem set is properly submitted and clearly legible. Any part that cannot be read will be assigned a zero.

- c. **Class Participation:** This is a class based on collaborative discourse. As such, being prepared to participate in discussions is a course requirement. You are more than welcome to have a different interpretation or opinion than a classmate or me; just be sure to share your perspective in a productive and supportive manner. If you're reluctant to speak up, please talk to me and we'll figure out ways for you to participate.

Class participation will be assessed in two ways. First, on select days I will give each student a participation score based on the following rubric.

Score	Description
5	Comes to class prepared; contributes readily to class discussion without dominating it; makes thoughtful contributions that advance the conversation; shows interest in and respect for others' views; participates actively in small groups.
4	Comes to class prepared and makes thoughtful comments when called upon; contributes occasionally without prompting; shows interest in and respect for others' views; participates actively in small groups. A 4 score may also be appropriate to an active participant whose contributions are less developed or cogent than those of a 5 but still advance the conversation.
3	Comes to class prepared but does not voluntarily contribute to discussions and gives only minimal answers when called upon. Does show interest in the discussion, listens attentively, and takes notes. The instructor may choose to give such students a 4 if they participate fully in small group discussions, contribute in other ways, or make progress in overcoming shyness as the course progresses.
2	Participates in discussion but in a problematic way. Talks too much, makes rambling or tangential contributions, and/or continually interrupts the instructor with digressive questions; bluffs their way when unprepared or otherwise dominates discussions, does not acknowledge cues of annoyance from instructor or students.
1	Often seems on the margins of the class and may have a negative effect on the participation of others. Doesn't participate because they haven't read the material or done the homework. May be disruptive, radiate negative energy via hostile or bored body language, or be overly rude.
0	Absent

Additionally, each student will keep a participation log of their contributions to class discussions or small group work. The template for this participation log is posted on Sakai under *Resources*, Participation logs will be turned in at the start of class every other Monday. I will provide you with a mid-semester participation grade so you know how you are progressing. If you have any concerns about your participation, please don't hesitate to schedule a meeting with me.

- d. **Midterm Examinations:** There will be 2 exams during the regular semester. The higher of your two midterm scores will comprise 25% of your course grade, and the lower of the two midterm scores will comprise 15% of your course grade.
- e. **Final Exam:** The final exam is a cumulative exam.
- f. **Late and/or Makeup Policy:** Reading assignments and problem sets are due by 5pm on the due date. There will be a 5% late penalty applied to all submissions received between 5:00pm and 5:15pm, and a 20% late penalty applied to all submissions received between 5:15pm and 6:00pm. No submissions will be accepted after 6:00pm.

There will be no makeup or early midterm examinations. If you must miss a midterm, you may be eligible for a weight redistribution in which the one midterm will comprise 20% of your course grade and the final will comprise 50%. To qualify for this redistribution, you must contact me **before** the start of the exam and present me with an acceptable explanation. You are required to support your explanation with documentation within 2 business days of the exam. Acceptable reasons for missing a midterm include a documented medical illness that prevents you from taking the exam, a death in your immediate family, or a documented mandatory court date.

UNC rules, you can only take the final exam at an alternative time if you present me with an official exam excuse.

- g. **Regrade Requests:** All regrade requests must be made through *Gradescope* within 1 week of the date the assignment's grade is posted. There will be no exceptions to this rule except in extraordinary circumstances. Regrade requests will be addressed by the person who graded the assignment. If you are unsatisfied with how your regrade request is resolved, please then contact me directly either via email or by appointment.
- h. **Accessibility Resources & Service (ARS):** Students registered with the ARS office may take their exams at ARS. You do not need to notify me if you choose this option, but you must schedule your exam with ARS at least 4 full business days prior to the exam. Please schedule the exam at the same time as the regular exam or close to it. I will upload each exam to the ARS portal and request that exams are returned to me in a sealed envelope within 1 hour of the time of completion. Note that I will also receive a scanned version of your exam from ARS. It is the responsibility of students who take exams at ARS to ensure they do not exceed their allotted time limit. Note that there will be a 10-percentage point penalty for each 5 minutes over the time limit.

6. Course Schedule

DATE	
Wednesday, August 21	Introduction
Friday, August 23	General equilibrium, Efficiency and Equity (Chapter 16)
Monday, August 26	General equilibrium, Efficiency and Equity (Chapter 16)
Wednesday, August 28	General equilibrium, Efficiency and Equity (Chapter 16)
Friday, August 30	General equilibrium, Efficiency and Equity (Chapter 16)
Monday, September 2	LABOR DAY- no class
Wednesday, September 4	General equilibrium, Efficiency and Equity (Chapter 16)
Friday, September 6	General equilibrium, Efficiency and Equity (Chapter 16)
Monday, September 9	General equilibrium, Efficiency and Equity (Chapter 16)
Wednesday, September 11	General equilibrium, Efficiency and Equity (Chapter 16)
Friday, September 13	Behavioral Economics (Chapter 13)
Monday, September 15	Behavioral Economics (Chapter 13)
Wednesday, September 18	Behavioral Economics (Chapter 13)
Friday, September 20	Behavioral Economics (Chapter 13)
Monday, September 23	Behavioral Economics (Chapter 13)
Wednesday, September 25	Behavioral Economics (Chapter 13)
Friday, September 27	Asymmetric Information (Chapter 21)
Monday, September 30	Asymmetric Information (Chapter 21)
Wednesday, October 2	Midterm #1
Friday, October 4	Asymmetric Information (Chapter 21)
Monday, October 7	Asymmetric Information (Chapter 21)
Wednesday, October 9	Asymmetric Information (Chapter 21)
Friday, October 11	Asymmetric Information (Chapter 21)
Monday, October 14	Asymmetric Information (Chapter 21)
Wednesday, October 16	Asymmetric Information (Chapter 21)
Friday, October 18	FALL BREAK- no class
Monday, October 21	Externalities and Public Goods (Chapter 20)
Wednesday, October 23	Externalities and Public Goods (Chapter 20)
Friday, October 25	Externalities and Public Goods (Chapter 20)
Monday, October 28	Externalities and Public Goods (Chapter 20)
Wednesday, October 30	Externalities and Public Goods (Chapter 20)
Friday, November 1	Externalities and Public Goods (Chapter 20)
Monday, November 4	Externalities and Public Goods (Chapter 20)
Wednesday, November 6	Externalities and Public Goods (Chapter 20)
Friday, November 8	Monopoly and Price Discrimination (Chapters 17 and 18)
Monday, November 11	Monopoly and Price Discrimination (Chapters 17 and 18)
Wednesday, November 13	Monopoly and Price Discrimination (Chapters 17 and 18)

Friday, November 15	Monopoly and Price Discrimination (Chapters 17 and 18)
Monday, November 18	Monopoly and Price Discrimination (Chapters 17 and 18)
Wednesday, November 20	Midterm #2
Friday, November 22	Monopoly and Price Discrimination (Chapters 17 and 18)
Monday, November 25	Monopoly and Price Discrimination (Chapters 17 and 18)
Wednesday, November 27	THANKSGIVING BREAK
Friday, November 29	THANKSGIVING BREAK
Monday, December 2	Monopoly and Price Discrimination (Chapters 17 and 18)
Wednesday, December 4	Wrap-up
Monday, December 9	Final Exam 12:00pm

7. Study Tips

- There can be a big difference between understanding something in your head and communicating it in words or applying it to solve problems. An effective way to assess your understanding of the material is to actually try expressing the concepts *out loud*. Put the concepts in your own words and pretend you are teaching them to someone else.
- Draw the graphs yourself. You will not fully learn the graphs by just looking at them. You should practice drawing the graphs until you can draw them without looking at your notes or book. Moreover, be able to explain what you are drawing.
- Economics is very difficult to cram. This means you need to keep up to survive and thrive. Schedule study time each week that is designated for this class.
- Review your lecture notes soon after class so you can fill in holes while you still remember the lecture. This will also help you get the concepts into your head and has a much higher payback than most students realize.
- Try skimming a chapter before lecture so you will be familiar with the general idea of what is coming. After class, go back and selectively read the chapter for deeper understanding. Take notes from your textbook within your class notes.
- Economics is one of those subjects that you learn by doing not by just hearing. It can be easy to sit in lecture or read the textbook and go “yeah, yeah” and think you know it, but can be another thing to actually *apply* the material to problems. Don’t wait until the exam to see what you can and cannot apply. The more you practice, the more you will learn and the better you will do in this class.

- Learn from the practice and homework problems. For each problem, identify the concepts covered and the main point of the question. Then find similar practice and homework problems so you can reinforce these concepts and see different ways in which questions on the same topic can be written.
- Make a serious effort to complete every homework problem independently. Do not give up on a problem after your first attempt! Work for your “aha!” moment. Often true understanding comes after struggling on problems.
- After the due date for a homework assignment passes and the answers are available, identify which questions you got wrong and learn from your mistakes. Use the homework as a tool to help you identify your weaknesses and put more effort into learning that specific material. If you find that there are multiple problems you missed on homework assignments then try to find a pattern.
- Rework questions. Don’t just answer the questions correctly, but determine exactly why the correct answer is correct, why the incorrect answers are incorrect, and feel comfortable that you could teach this to another student. If you’re not 100% sure of a question inside and out, you’re not quite there yet.
- For each question, identify the underlying concepts. Review these concepts and practice explaining them in your own words. Pick each problem apart, treating it as an opportunity for learning and applying the material.
- Create new problems from existing problems. Compare and contrast similar problems. Anticipate new questions based on existing questions. Part of becoming a good test taker is learning to anticipate what’s on the test. Prepare enough so that if an existing problem is modified or multiple problems are combined you are not thrown off.
- Get adequate sleep the night before the exam. Your brain works best when well rested.