

Economics 415: *Market Failures*

Summer 2024

Instructor:	Michelle Sheran-Andrews
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Class Meetings:	Monday through Friday, 10:15-11:45am
Office Hours:	<i>by appointment</i>
Prerequisite:	ECON 410 with a grade of C or better
Website:	https://edtech.unc.edu/service/canvas/

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 in both a partial and general equilibrium framework. We will then add asymmetric information, externalities, public goods, market power, and behavioral economics to models learned in both ECON101 and ECON410 to analyze the effects on economic efficiency.

Course Objectives

- Understand what it means for the allocation of resources in an economy to be efficient.
- Analyze and discuss the potential tradeoff between efficiency and equity and evaluate the role of government in balancing or achieving both objectives.
- Explain how and why a monopoly creates a market failure.
- Understand the impact of the three degrees of price discrimination on market efficiency.
- Explain why competitive markets may fail to allocate resources efficiently in the presence of externalities.
- Identify remedies for externalities.
- Know how and why markets for public goods are inefficient.
- Understand how asymmetric information can lead to opportunistic behavior, resulting in market failures such as market power, adverse selection, and moral hazard.
- Explore how screening and signaling can reduce adverse selection.
- Examine various departures from rational behavior.
- Compare and contrast both economic efficiency and market failures in the U.S. and Croatia.

Grades

Component	% Course Grade
Class Participation and Engagement	25
Blog Post Assignment	25
Reflective Journal Assignment	25
Final Exam	25

Class Participation and Engagement: Your class participation and engagement grade will be determined based on your class attendance, completion of any in-class and out-of-class activities; participation in class discussions and activities; and maintaining an academic focus on site visits. For a grading rubric, see page 5 of this syllabus. Note that you are expected to attend all classes and excursions, except in the case of illness. If you become ill, please speak to me as soon as possible so we can make sure you get the care you need.

Blog Post Assignment: You will work in pairs to collaboratively write a blog post about a specific market failure in Croatia. The blog post should be informative, engaging, and reflective, aiming to share economic insights with a broader audience. For more information, see Assignments on Canvas and page 6 of this syllabus for a grading rubric.

Reflective Journal Assignment: You will maintain a reflective journal throughout the duration of your study abroad experience. This journal will serve as a personal record of your observations, experiences, and reflections, highlighting the contrasts and similarities between your home country and Croatia. For more information, see Assignments on Canvas and page 7 of this syllabus for a grading rubric.

Final Exam: There will be a cumulative final exam on either July 24th or 25th. It will cover the material presented in class, as well as readings and assignments scheduled outside of class. The exam format will be provided prior to the exam.

Course letter grades will likely be assigned based on a schedule similar to the one below.

A	93 and above	C	73 – 76
A-	90 – 92	C-	70 – 72
B+	87 – 89	D+	67 – 70
B	83 – 86	D	60 – 66
B-	80 – 82	F	< 60
C+	77 – 79		

Policies and Resources

1. **Textbook:** The recommended (but optional) 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.
2. **Accessibility Resources & Service (ARS):** The University of North Carolina at Chapel Hill facilitates the implementation of reasonable accommodations, including resources and services, for students with disabilities, chronic medical conditions, a temporary disability or pregnancy complications resulting in barriers to fully accessing University courses, programs and activities. Accommodations are determined through the Office of Accessibility Resources and Service (ARS) for individuals with documented qualifying disabilities in accordance with applicable state and federal laws. See the ARS Website for contact information: <https://ars.unc.edu> or email ars@unc.edu.
3. **Title IX Resources:** Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Please contact the Director of Title IX Compliance (Adrienne Allison – Adrienne.allison@unc.edu), Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu), Counseling and Psychological Services (confidential), or the Gender Violence Services Coordinators (gvsc@unc.edu; confidential) to discuss your specific needs. Additional resources are available at safe.unc.edu.
4. **Honor Code:** Students are bound by the Honor Code in taking exams and in written work. The Honor Code of the University is in effect at all times, and the submission of work signifies understanding and acceptance of those requirements. Plagiarism will not be tolerated. Please consult with me if you have any questions about the Honor Code.
5. **Syllabus Changes:** I reserve the right to make changes to this syllabus. These changes will be announced as early as possible.

Schedule

Date	Topic
Monday, June 24	Arrival
Tuesday, June 25	Economic Efficiency in a Partial Equilibrium Framework
Wednesday, June 26	Economic Efficiency in a General Equilibrium Framework
Thursday, June 27	Economic Efficiency in a General Equilibrium Framework
Friday, June 28	Equity vs Efficiency
Monday, July 1	Monopoly Power
Tuesday, July 2	Monopoly Power- Price Discrimination
Wednesday, July 3	Monopoly Power- Price Discrimination
Thursday, July 4	Asymmetric Information- Tourist Trap Model
Friday, July 5	Asymmetric Information- Adverse Selection
Monday, July 8	Asymmetric Information- Moral Hazard
Tuesday, July 9	Asymmetric Information- Adverse Selection Remedies
Wednesday, July 10	Asymmetric Information- Adverse Selection Remedies
Thursday, July 11	Excursion- Island of Solta
Friday, July 12	Irrationality
Monday, July 15	Excursion- Peljesac and Ston
Tuesday, July 16	Excursion- Peljesac and Ston
Wednesday, July 17	Externalities
Thursday, July 18	Public Goods
Friday, July 19	Externalities- Remedies
Monday, July 22	Externalities- Remedies
Tuesday, July 23	Wrap up
Wednesday, July 24	Final?
Thursday, July 25	Final?
Friday, July 26	Departure

Grading Rubrics

Class Participation and Engagement Grading Rubric					
Category	Excellent (A) 10 points	Good (B) 8 points	Satisfactory (C) 6 points	Needs Improvement (D) 4 points	Unacceptable (F) 0 points
Attendance (Multiply this rubric score by 5 to determine the total points)	Attends all classes and excursions and is punctual. Any absences are due to illness and are communicated promptly.	Misses substantial class time due to repeated tardiness, or misses two classes/excursion days for reasons other than illness. Communicates about absence(s) promptly.	Is frequently late to class, causing disruptions; or misses four classes for reasons other than illness; or does not communicate about absences promptly.	Misses six classes for reasons other than illness; does not communicate about absences promptly.	Consistently absent without valid reasons.
Class Activities (Multiply this rubric score by 2 to determine the total points)	Completes all in-class and out-of-class activities with good effort and engagement.	Completes most activities with good effort and engagement.	Completes most activities with basic effort and quality.	Often does not complete activities or shows minimal effort.	Does not complete activities.
Engagement	Consistently engaged in and positively contributed to the learning environment.	Frequently engaged in and positively contributed to the learning environment.	Sometimes engaged in and positively contributed to the learning environment.	Rarely engaged in or positively contributed to the learning environment.	Did not actively engaged in or positively contributed to the learning environment.
Academic Focus on Site Visits	Maintains focus and actively engages with site visit activities.	Usually maintains focus and engages with site visit activities.	Sometimes distracted; engages occasionally with site visit activities.	Often distracted; minimal engagement with site visit activities.	Consistently distracted; does not engage with site visit activities.
Use of Electronics	Uses electronics responsibly.	Uses electronics mostly responsibly; rarely distracts from learning.	Occasionally distracted by electronics but not frequently.	Frequently distracted by electronics, impacting participation.	Constantly distracted by electronics, severely impacting participation.

Blog Post Assignment Grading Rubric

Category	Excellent (A) 10 points	Good (B) 8 points	Satisfactory (C) 6 points	Needs Improvement (D) 4 points	Unacceptable (F) 0 points
Topic Selection (Multiply this rubric score by 2 to determine the total points)	Topic is clearly defined, unique, and highly relevant to market failures in Croatia. Approval obtained.	Topic is defined and relevant, though slightly common. Approval obtained.	Topic is somewhat defined but lacks focus or relevance. Approval obtained.	Topic is vague or not entirely relevant. Approval may or may not have been obtained.	Topic is unclear, irrelevant, or not approved.
Content (Multiply this rubric score by 2 to determine the total points)	Thorough, insightful analysis of market failure. Clear understanding demonstrated.	Good analysis and understanding of market failure.	Basic analysis; understanding of market failure present but not deep.	Limited analysis; some understanding, but lacks depth or clarity.	Little to no analysis; understanding of market failure not demonstrated.
Research	Extensive, varied, and credible sources used. Incorporates multiple perspectives, including local insights.	Good use of credible sources. Some variety in perspectives and sources.	Sufficient research with credible sources but lacks depth or variety.	Limited research; few credible sources or perspectives included.	Minimal to no research; unreliable sources; perspectives lacking.
Engagement	Highly engaging and reflective writing. Keeps audience interested throughout.	Engaging writing. Maintains audience interest most of the time.	Somewhat engaging; parts may be less interesting or reflective.	Limited engagement; often fails to capture or maintain interest.	Not engaging; fails to capture audience interest.
Structure	Well-organized with clear introduction, body, and conclusion. Logical flow.	Organized with clear sections. Generally logical flow.	Basic organization; some sections may be unclear or lack logical flow.	Weak organization; sections unclear or illogical flow.	Poorly organized; lacks clear structure.
Media Elements	Excellent use of media; enhances content significantly. Properly credited.	Good use of media; enhances content. Properly credited.	Adequate use of media; somewhat enhances content. Properly credited.	Limited use of media; minimal enhancement. Proper credit sometimes missing.	Little to no use of media; does not enhance content. Credits missing.
Writing Style	Clear, engaging, and accessible style. Free of grammatical errors.	Clear and accessible style. Few grammatical errors.	Generally clear and accessible. Some grammatical errors.	Writing style is unclear or not accessible. Many grammatical errors.	Poor writing style; unclear and inaccessible. Numerous grammatical errors.
Length & Submission	Adheres to word count (500-1000 words). Submitted on time.	Adheres to word count. Submitted on time.	Slightly off word count. Submitted on time.	Significantly off word count or submitted late.	Does not adhere to word count and/or submitted late.

Reflective Journal Assignment Grading Rubric

Category	Excellent (A) 10 points	Good (B) 8 points	Satisfactory (C) 6 points	Needs Improvement (D) 4 points	Unacceptable (F) 0 points
Frequency of Entries (Multiply this rubric score by 3 to determine the total points)	At least 4 entries with 300-500 words each	3 entries with 300-500 words each	2 entries with 300-500 words each	1 entry with 300-500 words	No entries
Market Failure Reflections (Multiply this rubric score by 3 to determine the total points)	At least 3 entries include thoughtful reflections on market failures or efficiency	2 entries include thoughtful reflections on market failures or efficiency	2 entries include some reflections on market failures or efficiency	Only 1 entry includes reflection on market failures or efficiency	No reflections on market failures or efficiency
Depth of Reflection (Multiply this rubric score by 2 to determine the total points)	Entries demonstrate deep, critical reflection on experiences and observations. Makes thoughtful comparisons between home country and Croatia.	Entries demonstrate good reflection with some critical analysis. Makes comparisons between home country and Croatia.	Entries demonstrate basic reflection with limited critical analysis.	Entries show minimal reflection and lack critical analysis.	Entries show little to no reflection or analysis.
Writing Quality	Clear, engaging, and well-written.	Clear and well-written.	Generally clear but needs editing	Writing is often unclear. Many grammatical errors.	Writing is unclear and poorly structured. Numerous grammatical errors.
Timeliness	Submitted by due date	Submitted 1 day late	Submitted 2 days late.	Submitted 3 days late.	Submitted more than 3 days late