

Writing Assignment #2

Nov 26th 5:00AM

ECO204; Professor Khazra

Fall 2025

This is an individual assignment. Collaborating, providing, or receiving answers from someone else on this assignment violates Academic Integrity.

This is a closed-book written exam, and NO aids are allowed. Bring your T-card with you.

What Exactly is Going to Happen?

The writing test is taking place this coming Nov 26th! It is the second assessment in ECO204 and is worth 7.5% of your final grade. The test will pose a question related to the assigned topic and some related readings (more below), and you will write an essay addressing the question.

- You will write the assignment on the exam document provided. The exam document will consist of five pages. The first three pages correspond to the three sections of your essay: **Introduction, Body, and Conclusion**. The last two pages are for Draft Work. You must hand in all five pages, but we will only mark the first three pages containing your Introduction, Body, and Conclusion. These pages correspond to your “final essay”. We recommend that you write both your draft work and final essay in pencil and bring a good eraser to erase and write over any mistakes on your “final” copy. *You do not need to necessarily use the draft pages* but it is a good idea to list the important points that you want to write about in draft.
- **Important:** you need to write each section in the assigned space. For instance if you write the “body” in the “conclusion” section, we will grade it as it is your conclusion.
- The writing test begins at 9:10 a.m. and ends at 10:50 a.m., lasting 100 minutes. All papers will be collected at 10:50 a.m., so make sure you arrive on time, or you may run out of time. You will hand in all the pages of your exam at the end of the test. The word limit is 800 words, but the suggested length is around 600 words, as essays are often best when they are “short and sweet” with efficiently presented arguments. Writing more does not ensure a higher grade and may even make it harder to understand your essay. Make sure you don’t write so much that you don’t leave yourself time to polish the essay. Leave at least 15 to 20 minutes for revisions.

- If you finish early, put your hand up, and we will come by your seat and collect your document. If you finish with less than 20 minutes left in the test (after 9:30 a.m.), we'll ask you to wait and hand it in with the others.

General Formatting

*****You will lose AT LEAST 20 points for ANY of the following:*****

1. If your writing is messy with lots of crossed words and sentences, or if the pencil is too light and cannot be read.
2. **Do not copy the question in your response.**
3. No footnotes, no formulas, no jargon.
4. Each section should contain short related paragraphs that use the questions as a guideline. Do not write short and disconnected answers to the questions. This is not a math exam, it's a writing assignment. The outcome should look like an essay or a journal paper.

Important Points to Consider

- You will be marked based on your analysis's quality and accuracy and not based on the quantity of your essay, similar to a real policy brief or a news article. You won't convince policy makers or your readers by talking too much but rather by creating a well-thought-out and specific argument.
- Help for this assignment: See the top of the course home page on Quercus and labelled, "**Resources to Help You Succeed in ECO204**". Many of these resources (such as the school's writing centres and supports for English Language Learners) will help you with the writing.
- This second writing assignment aims to develop and assess your ability to apply ECO204 concepts to a real-world problem or topic, conduct analysis, and communicate your analysis to a lay audience (i.e., one not formally trained in economics). Think as if you were drafting an op-ed for the Globe and Mail or an article on this topic in The Economist or Atlantic magazine. That's the type of audience you should think of yourself as addressing.
- Note: It is normal to interpret "writing" as mainly being about sentence structure, paragraph organization, grammar, etc. These things are important, but good and effective writing uses simple, jargon-free English and short sentences. This is especially important to remember if English is your second language. You will not be penalized if your meaning is clear and your analysis is solid, even if your grammar is not that of an Oxford don.
- As well, your handwriting needs to be legible but does not need to be elegant. Minor mistakes like a crossed-out sentence on one of the "final" essay pages will not be penalized so long as we can reasonably read your essay. If one or more sections of your "final" paper become too messy, you'll want to erase and overwrite your work.

Ensure you write within the indicated margins on each page, as we will upload these pages to Crowdmark. Although it's not recommended, if you absolutely need to, you can continue one of the "final" sections on one of the draft pages, but this needs to be clearly indicated on the document otherwise it will not be graded.

What Should the Essay be Like?

You are welcome to include personal opinions in your essays (personal statements are not evaluated or penalized; they are opinions and cannot be right or wrong!) as well as analysis. Offering your own opinion on the topic you are writing about can spice up your essay, and fun-to-read essays are good! However, make sure your personal thoughts are not crowding out the analysis. *You should back up your opinions with facts and/or to be credible: in our case, microeconomic reasoning and theory!*

Since there are only 100 minutes and three pages to write on, the essays will naturally be fairly short. So, leave enough space for analysis. A good rule of thumb is to stop writing by 10:30 and leave 10:30 to 10:50 (the last 20 minutes) for review and editing.

Tips

- **Think like an economist.**

In ECO204, in addition to learning specific models, we also want you to develop an understanding of the "economist's view of the world". If you plan to study economics in your upper-year courses, you need to understand this worldview and be (critically) sympathetic to it so that you can use it to think about problems and events that occur in the real economy around us. This essay gives you a chance to use your "economist's view of the world" to address a current economic subject.

- **Write well (or as well as you can).**

Use short, clear sentences. Do not have sentences that are vague or subject to multiple interpretations. Above all, be precise.

- Avoid (most) jargon. For instance, it's not a great idea to talk about "elasticities" in your essay, as "elasticity" is not a concept that would make sense to somebody outside an economics class. Talk about "responsiveness to price" instead. When solving problems for other specialists who know the jargon, it can be acceptable to jump straight to technicalities. But that's not the goal of this particular exercise. When you use a jargon word, such as a "choke price", make sure you define it for your reader!
- Be clear. Good, clear, creative answers demonstrating an understanding of the models we have covered so far in ECO204 will be rewarded even if they end abruptly or if you get your verb tenses wrong. What matters is the quality of the analysis and the clarity of your thoughts, not stuff that could be fixed if you had another three hours to correct grammar and craft a perfect topic sentence. In particular, within broad limits, this writing assignment should not reward native speakers of English over those who are not native speakers.

What Are We Writing About?

The goal of this in-class writing assignment is to apply the concepts from the first semester of ECO204 to a real-world issue related to market power, competition, and consumer welfare. Specifically, we will focus on Dynamic and Algorithmic Pricing, a rapidly evolving phenomenon at the intersection of microeconomic theory, data analytics, and consumer welfare.

Dynamic pricing (also known as surge pricing, demand pricing, algorithmic pricing, or variable pricing) refers to strategies in which firms adjust prices over time, or across consumer segments, in response to changes in demand, supply conditions, competitor behavior, or even individual consumer attributes. With advances in big data and artificial intelligence, many companies now employ algorithmic pricing tools that can automatically set and adjust prices in real time.

Such practices can increase efficiency by allocating resources more effectively, smoothing demand peaks, and improving capacity utilization. For example, ride-sharing platforms, airlines, hotels, and e-commerce firms use dynamic pricing to manage fluctuating demand. However, the same technologies also raise concerns about fairness, transparency, and potential consumer exploitation. Algorithmic systems may learn to discriminate among consumers, coordinate implicitly with competitors, or use personal data in ways that harm consumer welfare.

Algorithmic Pricing and Regulation: As algorithmic pricing spreads across industries, policymakers face growing challenges. Regulators must decide how to balance innovation and efficiency with fairness and privacy. Some jurisdictions have begun requiring firms to disclose when prices are algorithmically set or restricting the use of personal data in pricing decisions. Others have proposed or enacted bans on algorithmic pricing in sensitive markets such as housing or utilities. These developments highlight tensions between economic efficiency and consumer welfare concerns, raising fundamental questions about how modern markets should be governed.

This assignment invites you to explore the economics of dynamic pricing and its implications for market outcomes, consumer welfare, and policy. You will analyze dynamic pricing as a form of advanced price discrimination or multi-part pricing, and evaluate both the benefits and the risks it poses.

Consider the following questions to guide your thinking:

- How does dynamic or algorithmic pricing differ from traditional forms of price discrimination?
- Under what conditions can dynamic pricing increase efficiency or overall welfare?
- When might algorithmic pricing reduce consumer welfare or fairness (think of fairness as how consumer surplus/welfare is distributed across different types of consumers)? Remember we talked about high type and low type demand and how consumer welfare is different for each type given the pricing policies.
- How does access to real-time data and AI-based learning change the nature of competition between firms?
- Could algorithmic pricing lead to implicit collusion among competitors?
- How might personalized pricing affect different consumer groups (e.g., by income or search costs)?

- What are the main regulatory challenges associated with algorithmic pricing?
- What types of government policies or transparency requirements could promote both innovation and consumer protection?
- How should regulators respond to surge pricing practices by firms like Uber or Lyft during emergencies or peak hours? Should such pricing be restricted, capped, or fully market-driven? What are the welfare (surplus) implications of these bans and restrictions?
- In cases where online retailers (e.g., Amazon) use algorithms to adjust prices across users or time, what rules could prevent unfair price discrimination while still allowing competitive flexibility?

These questions are intended to help you link microeconomic theory, **especially price discrimination, welfare analysis, and market power**, to current debates about technology and regulation. Use these ideas as a foundation to structure your analysis, evaluate trade-offs, and draw clear connections to the microeconomic concepts covered in class.

Pre-Test Readings

- [“New York’s Sweeping Algorithmic Pricing Reforms – What Retailers Need to Know”](#) (Law-firm commentary / news)
Describes the 2025 Algorithmic Pricing Disclosure Act (New York) and what retailers must do under it (disclosure of algorithmic pricing based on personal data).
- [“A Price to Pay: U.S. Lawmaker Efforts to Regulate Algorithmic and Data-Driven Pricing”](#) (Policy blog / legal commentary)
Surveys legislative efforts across U.S. states in 2025 to regulate algorithmic/ dynamic/ pricing practices.
- [“How U.S. States are Tackling Algorithmic Pricing: 2025 Bill Tracker”](#) (Consumer Reports / innovation tracker)
Offers statistics and details on the number of bills introduced in 2025 (e.g., 51 bills across 24 states) to regulate algorithmic pricing.
- Please just read the abstract. The full paper is not required, read the paper if you want to learn more for personal interest: [“Regulating Online Algorithmic Pricing: A Comparative Study of Privacy and Data Protection Laws in the EU and U.S.”](#) (Working paper / academic preprint)
Compares how online algorithmic pricing is addressed under EU vs U.S. regimes (privacy/data-protection + competition law) in the context of dynamic pricing.

Good luck!