

PP 32310: Advanced Microeconomics for Public Policy I

Instructors:

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Office hours: By appointment, please contact Lydia Veliko at lydiav@uchicago.edu

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Course Objectives: Students should learn the neoclassical theories of consumer behavior, production, and competitive equilibrium. Students will also be introduced to the selection problem, theories of investment in human capital, and theories of unemployment.

Text: Hal Varian, *Intermediate Microeconomic* [any addition]

Lecture: The lecture is in Room 140C at 10:30 to 11:50, Mondays and Wednesdays.

Grades: We base grades on homework assignments, a midterm exam, and a final exam. The weights are as follows:

30% Homework

35% Midterm Examination

35% Final Examination

Homework: You will have about 6 homeworks for the class. You will work in groups, and we will assign the groups. We will *not* accept late homework. Each assignment will receive an equal weight.

Review Sessions: TAs will run discussion sessions to review lectures and field any questions about homeworks.

Appointments: Please make email contact to see us. For Black, please email Lydia Veliko at lydiav@uchicago.edu.

Final

Monday, December 5th, from 9:00 to 12:00.

Tentative Schedule and Readings

September

- 26 Preferences Theory (Varian, chapters 3&4)
- 28 Budget sets (Varian, chapter 2)

October

- 3 Choice (Varian, chapters 4, 5, &6)
- 5 Revealed preference
- 10 Expenditure and indirect utility functions and the empirical content of preference theory
- 12 Expenditure and indirect utility functions and the empirical content of preference theory
- 17 Have real median earnings in the US declined? (Boskin, et al)
- 19 Have real median earnings in the US declined?
- 24 Subsidies **End of material for Midterm**
- 26 Auctions (Varian, chapter 18)
- 31 Roy Model (Roy)

November

- 2 Perfect capital markets and investment in human capital (Barron, Black, and Loewenstein)
- 7 Perfect capital markets and investment in human capital (Hutchens)
- 9 Imperfect capital markets, investment in human capital, and government intervention (Avery and Turner)
- 14 Asymmetric information and government intervention in capital markets (Stiglitz and Weiss)
- 16 Asymmetric information and government intervention in capital markets
- 21 Labor supply (Varian, chapter 9)
- 23 Unemployment: worker preferences and fixed costs (Hallock and Black, Smith, Berger and Noel)
- 28 Unemployment: principal-agent models and efficiency wages (Ritter and Taylor)
- 30 Unemployment: specific human capital and economics shocks (Jacobson, LaLonde, and Sullivan)

Other Readings (Access from Campus)

Avery, Christopher and Sarah Turner, "Student Loans: Do College Students Borrow Too Much – or not enough" *Journal of Economic Perspectives* 26(1) Winter 2012 165-92

Barron, John M., Dan A. Black and Mark A. Loewenstein. "Job Matching and On-the-Job Training," *Journal of Labor Economics* January 1989 7(1) 1-19.

Black, Dan A., Jeffrey A. Smith, Mark C. Berger, and Brett J. Noel "Is the Threat of Reemployment Services More Effective than the Services Themselves? Evidence from UI System Using Random Assignment" *American Economic Review* September 2003 93(4) 1313-27

Boskin, Michael J., Ellen R. Dulberger, Robert T. Gordon, Zvi Griliches, and Dale W. Jorgenson, "Consumer Prices, the Consumer Price Index, and Cost of Living" *Journal of Economic Perspectives* 12(1) Winter 1998, 3-26

Hallock, Kevin F. "Job Loss and the Fraying of the Implicit Employment Contract" *Journal of Economic Perspective* 23(4) Fall 2009 69-93.

Hutchens, Robert M. "Seniority, Wages, and Productivity: A Turbulent Decade" *Journal of Economic Perspectives* 3(4) 49-64.

Jacobson, Louis S., Robert T. LaLonde, and Daniel G. Sullivan. "Earnings Losses of Displaced Workers" *American Economic Review* 83(4) September 1993 685-703.

Ritter, Joseph A. and Lowell J. Taylor. "Racial Disparity in Unemployment" *Review of Economics and Statistics* 93(1) February 2011 30-42

Roy, A. D. "Some Thoughts on the Distribution of Earnings" *Oxford Economic Papers* 3(2) June 1951 135-46.

Stiglitz, Joseph E. and Andrew Weiss. "Credit Rationing in Markets with Imperfect Information" *American Economic Review* 71(3) June 1981 393-410.