



## **PPHA 32400: Microeconomics and Public Policy II (Winter 2018)**

**Section 03: MW 1:30-2:50pm (Location: Room 142, Harris)**

**Section 04: MW 3:00-4:20pm (Location: Room 142, Harris)**

### **Instructor:**

Jacob Bastian ([jbastian@uchicago.edu](mailto:jbastian@uchicago.edu))

Office: TBA

Office hours: MW 10:00-11:00am

If you send me an email, please have "PP324" in the subject line.

### **Teaching Assistants:**

TBA

TA sessions: T 4:30-5:50pm, TH 3-4:20pm, F 10:30-11:20am, F 1:30-2:50pm

### **Course Description:**

This course introduces the role of government in the economic system, explores market failures that undermine the useful characteristics of the competitive market, and considers the role of government in these failures. Issues include equity and efficiency and the government's role in influencing the distribution of income, as well as economic concepts in policy analysis such as time discounting, opportunity costs, and decision-making under uncertainty. Differential calculus is used extensively.

### **Prerequisites:**

PP323 or instructor's permission. You should be comfortable with basic algebra and calculus.

### **Textbooks:**

(P) Jeffrey Perloff. *Microeconomics*, 8<sup>th</sup> edition

(V) Hal Varian. *Intermediate Microeconomics: a Modern Approach*, 9<sup>th</sup> edition

Be careful, if you use older versions of the textbooks - chapters, examples, and exercises may vary.

### **Course Materials:**

Please see the Canvas website for course documents, assignments, and announcements.

### **TA Sessions and Office Hours:**

TAs will hold 2 (identical) one-hour weekly sessions to explain problem sets and do sample exercises.

The first session will be in the second week. In addition, TAs will hold 3 office hours each week.

### **Attendance:**

You are expected to attend and participate in every class. If necessary, you may attend the other section of the class without asking for permission. recommend attending the same section as much as possible.

### **Slides:**

I will try to post preliminary slides for each lecture on Canvas and then post final slides after lectures.

### **Problem Sets:**

There will be four problem sets. You may work together, but you must turn in your own work.

TAs will grade the problem sets on a scale of 1 to 100. Late assignments will be heavily discounted.



**Policy Memo:**

You will complete one policy memo due on February 24. It will not require any significant outside research; the emphasis is on clarity and high-quality writing and should be 2-4 double-spaced pages.

**Exams:**

We will have a midterm exam in class on February 7 and a final exam from 9am to 12pm on March 14.

**Grades:**

Your course grade will consist of the following weights: problem sets and policy memo 25%, midterm exam 25%, final exam 50%. Please direct any re-grade requests to me, not the TAs, by submitting your work and a brief explanation of your argument. Your grade may go up or down as a result.

**Additional readings:**

Occasionally, I will post additional reading, both academic and policy-related, on Canvas to give a better understanding of how concepts we discuss in class apply in policy analysis and public discourse.

**Course Plan:**

Lecture 1 (W 01/03):

- Course Overview
- Monopoly (P11, V24)
- Elasticity (P11, V24)
- Deadweight Loss (P11, V24)

Lecture 2 (M 01/08):

- Regulating a Monopoly (P11.6, V24)
- Natural Monopoly (P11.4, V24.6)

Lecture 3 (W 01/10):

- Price Discrimination (P12, V25)
- Types of Price Discrimination (P12, V25)

*No Class: Martin Luther King, Jr. Day (M 01/15)*

Lecture 4 (W 01/17):

- Two-Part Tariff (P12.5, V25.6)
- Bundling (P12.6, V25.5)

Lecture 5 (M 01/22):

- Factor Markets (P15, V26)

Lecture 6 (W 01/24):

- Strategic Analysis: Simultaneous Games (P14, V28)

Lecture 7 (M 01/29):



- Cournot Oligopoly (P13, V27)
- Bertrand Oligopoly (P13, V27)

Lecture 8 (W 01/31):

- Strategic Analysis: Sequential Games (P14, V28)
- Entry Deterrence (V28.8, P14.3)
- Stackelberg Oligopoly (P13, V27)

Lecture 9 (M 02/05):

- Cartels (P13.2, V27.10-27.11)
- Sustaining a Cartel (V28.6)

**Mid-term (W 02/07)**

Lecture 10 (M 02/12):

- Monopolistic Competition (P13, V25.7)
- Minimum Efficient Scale (P13.8, V24.7)
- Product Differentiation (P13, V25.8-25.10)

Lecture 11 (W 02/14):

- Externalities (P18, V34)
- Common Pool Resources (P18, V34)
- Types of Public Goods (P18, V36)

Lecture 12 (M 02/19):

- Intertemporal Choice (P16.1-16.2, V10)
- Human Capital Investment (P16.4)
- Time Discounting

Lecture 13 (W 02/21):

- Defining Risk: Variance and Standard Deviation (P17, V12-13)
- Expected Value and Expected Utility (P17, V12-13)
- Risk Preference (P17, V12-13)
- **Policy Memo due before class**

Lecture 14 (M 02/26):

- Diversification and Risk (P17, V12-13)
- Insurance (P17, V12)

Lecture 15 (W 02/28):

- Adverse Selection (P19, V37)
- Signaling & Screening (P19, V37)



Lecture 16 (M 03/05):

- Moral Hazard (P20, V37)

Lecture 17 (W 03/07):

- Auctions (P14.4)
- Mechanism Design (P18, V36)

**Final Exam (M 03/14 at 9am-12pm): Rooms 140B, 140C, 289A, 289B**