

## Advanced Microeconomics for Public Policy 1

This course will cover a number of topics in microeconomic theory, with an emphasis on decision theory, consumer theory, and equilibrium. Applications will include crime, discrimination, segregation, and intergenerational mobility.

### Meeting Times and Location

Tues - Thurs, 11:00 - 12:20pm, Harris Lecture Hall 140C

Tues - Thurs, 2:00 - 3:20pm, Harris Lecture Hall 140C

**Readings:** I have assigned Walter Nicholson and Christopher N. Snyder, Microeconomic Theory, Carl Simon and Lawrence Blume, Mathematics for Economists (supplemental) as texts. Other readings will involve scholarly articles.

**Grading:** We base grades on homework assignments, a midterm exam, and a final exam. The weights are as follows: Final 40% Homeworks 30% Midterm: 30%. There will be 5 homework assignments. Homework assignments will be done in preassigned groups and graded by group. All assignments will receive equal weight. No late assignments will be accepted.

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

**Office Hours.** Durlauf has office hours Wednesdays 1:45-3:15 in 172 Harris.

**Final Examination:**

## Course Schedule (Tentative)

October 2: Theory and Public Policy: Overview

-Nicholson and Snyder, Chapter 1

-Becker, G. 1993. "Nobel Lecture: The Economic Way of Looking at Behavior," *Journal of Political Economy* 101: 385-409.

-Heckman, J. 2001. Micro Data, Heterogeneity, and the Evaluation of Public Policy: *Journal of Political Economy* 109: 673-748

October 4: Math Review 1: Functions, Maximization

-Nicholson and Snyder, Chapter 2.1-2.10

October 9: Math Review 2: Probability and Uncertainty

-Nicholson and Snyder, Chapter 2.11-2.12.

October 11: Theory of Choice 1: Preferences and Budget Sets

-Nicholson and Snyder, Chapters 3 and 4

-Akerlof, G. and R. Kranton. 2000. "Economics and Identity." *Quarterly Journal of Economics* CVX: 715–753.

-Becker, G. 1962. "Irrational Behavior and Economic Theory." *Journal of Political Economy* 70: 1-13.

October 16: Theory of Choice 2: Income and Substitution Effects

-Nicholson and Snyder, Chapter 5

October 18: Theory of Choice 3: Uncertainty

-Nicholson and Snyder, Chapter 7, 17.2.2-17.2.4

-Brock, W., S. Durlauf, and K. West. 2004. "Policy Evaluation in Uncertain Economic Environments." *Brookings Papers on Economic Activity* 1: 235-322.

October 23: Theory of Choice 3 (continued)

October 25: Complements and Substitutes

-Nicholson and Snyder, Chapter 6

-Amir, R. 2005. "Supermodularity and Complementarity in Economics: An Elementary Survey." *Southern Economic Journal* 71: 636-660. (Section 2 and example from consumer theory)

-Ashworth, S. and E. Bueno de Mesquita. 2006. "Monotone Comparative Statics for Models of Politics." *American Journal of Political Science* 50:214-231

October 30: Review

November 1: Midterm

November 6: Equilibrium

-Nicholson and Snyder, 8.1-8.4, 8.10

-Cooper, R. and A. John. 1988. "Coordinating Coordination Failures in Keynesian Models," *Quarterly Journal of Economics* 103: 441-463. (Sections I and II)

Application: Crime and Deterrence

-Becker, G. 1968. "Crime and Punishment: An Economic Approach," *Journal of Political Economy* 76: 169-217.

-Durlauf, S. and D. Nagin. 2011. "The Deterrent Effect of Imprisonment." *Controlling Crime*, P. Cook, J. Ludwig, and J. McCrary, eds. Chicago: University of Chicago Press.

November 8: Discrimination

-Black, D. 1995. "Discrimination in an Equilibrium Search Model." *Journal of Labor Economics* 13: 308-33.

-Charles, K. and J. Guryan. 2011. "Studying Discrimination: Fundamental Challenges and Recent Progress." *Annual Review of Economics* 3: 479-511.

-Durlauf, S. 2006. "Assessing Racial Profiling." *Economic Journal* 116: F402-F426.

-Knowles, J., N. Persico, and P. Todd. 2001. "Racial Bias in Motor Vehicle Searches: Theory and Evidence." *Journal of Political Economy* 109: 203-229.

November 13: Discrimination (continued)

November 15: Segregation

-Becker, G. 1973. "A Theory of Marriage, Part I." *Journal of Political Economy* 81: 813-846.

-Granovetter, M. and R. Soong. 1988. "Threshold Models of Segregation: Chinese Restaurants, Residential Segregation, and the Spiral of Silence." *Sociological Methodology* 18: 69-104.

-Schelling, T. 1971. "Dynamic Models of Segregation." *Journal of Mathematical Sociology* 1: 143-186.

November 15: Segregation (continued)

November 22: Intergenerational Mobility

-Becker, G., S. Kominers, K. Murphy, and J. Spenkuch. 2018. "A Theory of Intergenerational Income Mobility." *Journal of Political Economy*, forthcoming.

-Becker, G. and N. Tomes. 1979. "An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility." *Journal of Political Economy* 87: 1153-1189.

-Durlauf, S. "Understanding the Great Gatsby Curve," with A. Seshadri. *Macroeconomics Annual 2017*.

November 29: Intergenerational Mobility (continued)

December 4: Review