



PUBLIC POLICY 32300:
MICROECONOMICS AND PUBLIC POLICY I
Fall 2019: Mon Wed

Instructors: Thomas Coleman Ariel Roginsky

Course goals: This course is the first of a two-quarter sequence in microeconomic theory. The course covers consumer choice, market equilibrium, and introduction to the theory of the firm. It provides a careful and rigorous presentation of the foundations of microeconomics. An important goal will be to show how these tools apply to various policy questions and applications will be discussed in tandem with the course material but the primary focus is on the tools and techniques of microeconomics and price theory. The course does not require prior training in economics, although prior courses will be helpful. Those with strong economics training might consider PPHA 32310.

Prerequisites: You will need no more mathematics than what has been covered in “Math Camp”.

Key Announcements:

- The course will be taught in four sections. You must attend your assigned time slot.
- The syllabus, slides, and problem sets will be the same across the four sections.
- We will generally post slides before lecture.
- **Requirements and grading:** Grades will be based on problem sets (homework assignments), a midterm exam, and a final exam.
- **Problem Sets:** We will have roughly one problem set per week.
 - Study groups: For problem sets we require you to work in study-groups of 2-4 students.
 - The most important issue about doing problem sets in a group: **work the problems yourself before you meet with your group.**

Text: We are using *Microeconomics* by Goolsbee, Levitt, Syverson.

There are three options for purchasing the text:

- 1) Hardcover book (“cloth”) + LaunchPad electronic resources (6 month access)
- 2) Looseleaf binder + LaunchPad electronic resources (6 month access)
- 3) LaunchPad electronic resources only (6 month access)

You can choose any one of these three. Option (2) is less expensive, and option (3) is only for someone who already owns the book. Any of these can be purchased at either:

- UChicago Bookstore
- Online at Macmillan

Earlier editions of the textbooks are fine if you already own one or would prefer to buy one used – but then be sure to buy LaunchPad (option 3).

Here are some additional textbooks which can also provide background. The first two we will put on reserve in Regenstein, the third is available from McCloskey’s website.

- VARIAN: *Intermediate Microeconomics* by Hal Varian (with or without calculus – the two editions are essentially the same). This is a more technical and mathematical treatment of microeconomics.
- LANDSBURG: *Price Theory and Applications*. by Steven Landsburg. A good intuitive approach.
- D. McCloskey *The Applied Theory of Price*. 2nd ed, 1985. Available for (free) download at <http://www.deirdremccloskey.com/docs/price.pdf> . This is a fun read.

Summary Outline

Week/Lect	Date		Topic	<i>Microeconomics</i>
1 / 1	Wed		Introduction, Supply & Demand I	Ch 2
2 / 2	Mon		Supply & Demand II – using supply & demand	Ch 2
2 / 3	Wed		Supply & Demand III – Equilibrium, elasticities, Consumer Surplus	Ch 2&3
3 / 4	Mon		Supply & Demand IV – Consumer Surplus, Deadweight Loss, Taxes & Subsidies	Ch 3
3 / 5	Wed		Preferences and Utility I. Preferences and Utility	Ch 4
4 / 6	Mon		Preferences and Utility II: Combining budget set & preferences (utility function or indiff curves).	Ch 4
4 / 7	Make-up		Demand I: Normal vs Inferior goods; Engel Curves; Applications (House size, Family size).	Ch 5
4 / 8	Wed		Demand II: Income vs Substitution (Slutsky Eqtn)	Ch 5
5 / 9	Mon		Demand III: Cross-price; Market demand curves.	Ch 5
5 / 10	Wed		Preferences and Utility, Demand: Example: Labor Supply: Budget lines, indiff curves – EITC	

Mon

MIDTERM EXAM IN CLASS

Week / Lect	Date		Topic	<i>Microeconomics</i>
6 / 11	Wed		Supply I: Production function, isoquants; Short-run & Long-run; Cost-minimization	Ch 6
7 / 12	Mon		Supply II: Returns to Scale; Technological change; Costs & cost curves.	Ch 6 / Ch 7
7 / 13	Wed		Supply III: Different types of costs (Fixed & Variable, Long & Short), Marginal Cost. Firm Supply: Profit Maximization	Ch 6 / Ch 7
8 / 14	Mon		Markets & Prices I: Competitive markets; Profit maximization; Short & Long Run	Ch 8
8 / 15	Wed		Markets & Prices II: Entry & Exit; Industry supply & Equilibrium (bringing together Consumers & Producers).	Ch 8
9 / 16	Mon		Price Theory Applied I: Taxation. Incidence; Deadweight Loss; Dependence on Elasticity.	Ch 3 again
9 / 17	Wed		Price Theory Applied II: General Equilibrium: Equity, Efficiency, Welfare Theorems	Ch 15
10 / 18	Mon		Price Theory Applied III: Externalities; Common Property, Public Goods	Ch 17
10 / 19	Wed		TBA	
			FINAL EXAM	