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Winter Quarter, 2020  
University of Chicago

# PPHA 58101

## Economic Analysis I: Microeconomics

**Brief Description:** This course presents the basic tools of microeconomics and applies these tools to policy problems. Understanding the material in this course is a near pre-requisite to usefully formulating or evaluating public policy. Lawyers, political scientists, other social scientists, and anyone else involved in policy work must be able to comprehend and respond to economic arguments – both their strengths and their limitations. This course is aimed at helping you develop into informed consumers (and, to some extent, producers) of economic reasoning applied to public policy.

**Meetings:** (Usually) Thursdays, 6-8:50PM, 1871. Audio or video recording or streaming of class sessions without the approval of the instructor is not permitted. Screens (phones, tablets, laptops) are discouraged – phones are a particular object of disdain. PPHA 58101 is a lecture-style class, but one with, I hope, a good deal of interaction.

**Coordinator:** Jim Leitzel, Public Policy Studies. My e-mail account is [j-leitzel@uchicago.edu](mailto:j-leitzel@uchicago.edu). Office hours are Tuesdays, 4:30-6:00, at 1871.

**Teaching Assistants:** Our teaching assistants are Simon (Hyungjun) Park [simonpark@uchicago.edu](mailto:simonpark@uchicago.edu) and Jubing Ge ([jubing@uchicago.edu](mailto:jubing@uchicago.edu)); their office hours will be announced in class.

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**Text:** Our textbook is Austan Goolsbee, Steven Levitt, and Chad Syverson, *Microeconomics* [abbreviated GLS]. The third edition of this textbook has just become available (Worth Publishers, 2020), but for all or almost all of our purposes, the second edition is fine (2016). For most topics, we will not follow GLS very closely. We will draw on material primarily from 10 chapters: chapters 2, 3, 9, 10, 12, and 14-18; of these, we will be most comprehensive for chapters 2, 3, 9, 12, 14, and 17.

Additional readings are available on our Canvas site. The readings should be completed before the class for which they are assigned.

**Requirements:** There will be two problem sets, each worth 17% of your grade; there also will be two four-page policy briefs, also worth 17% of your grade each. Assignments are to be handed in at the beginning of class on the due date. Papers (problem sets or policy briefs) not handed in at that time will be penalized 10%. No papers will be accepted after the due date, absent special arrangements. There will be a final examination, worth 32% of your overall grade.

On problem sets and the policy briefs, students are encouraged to work together and to discuss the assignments. This cooperation, however, cannot extend to the writing up of the answers/policy briefs, which must be undertaken individually.

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## **Preliminary Course Outline:**

MONDAY, JANUARY 6, 2020 [This is a pre-emptive make-up class, as it were...]

Part 1: Supply and Demand, of Course

Part 2: Elasticity

Readings: GLS, Chapters 1-2

THURSDAY, JANUARY 9, 2020

Part 1: Surplus

Part 2: Taxes

Readings: GLS, Chapters 2-3; Schelling  
Problem Set 1 distributed

THURSDAY, JANUARY 16, 2020: NO CLASS!!

THURSDAY, JANUARY 23, 2020

Part 1: Rationality

Part 2: Alcohol

Readings: GLS, Chapters 3-4, and pages 185-188 of Chapter 5; Kenkel; Cook  
Policy Brief 1 assigned

THURSDAY, JANUARY 30, 2020

Part 1: Long-Run Competitive Equilibria

Part 2: Monopoly

Readings: GLS, in Chapter 7, pages 223-229; in Chapter 8, a quick perusal of pages  
257-264 would be helpful; Chapter 9; Landsburg  
Problem Set 1 due  
Practice Problem Set distributed

THURSDAY, FEBRUARY 6, 2020

Part 1: More Monopoly and Intellectual Property

Part 2: Choices over time

Readings: GLS, Chapters 10 and 15  
Policy Brief 1 due

THURSDAY, FEBRUARY 13, 2020

Part 1: Choice under uncertainty  
Part 2: Uncertainty, continued

Readings: GLS, Chapter 14 and Chapter 16  
Practice Problem Set to be mastered

THURSDAY, FEBRUARY 20, 2020

Part 1: Game theory  
Part 2: Still playing games

Reading: GLS, Chapter 12  
Policy Brief 2 distributed

THURSDAY, FEBRUARY 27, 2020

Part 1: The Coase Theorem  
Part 2: Continuing with externalities

Readings: GLS, Chapter 12 and Chapter 17; Adler and Stewart; Anomaly  
Problem Set 2 distributed

THURSDAY, MARCH 5, 2020

Part 1: Introduction to behavioral economics  
Part 2: Nudging

Readings: GLS, Chapter 18; Thaler, Sunstein, and Balz;  
Cooke, Diop, Fishbane, et al.  
Policy Brief 2 due

THURSDAY, MARCH 12, 2020

Part 1: Vice policy  
Part 2: Conclusion

Readings: Leitzel; Kleiman  
Problem Set 2 due

THURSDAY, MARCH 19, 2020 (6:00-8:00PM)

### **FINAL EXAMINATION**

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#### **REQUIRED READINGS, AVAILABLE ON CANVAS**

Schelling, Thomas C., "Economic Reasoning and the Ethics of Policy." Chapter 1, pp. 1-26, in *Choice and Consequence*, Cambridge: Harvard University Press, 1984.

Kenkel, Donald S., "Prohibition Versus Taxation: Reconsidering the Legal Drinking Age." *Contemporary Policy Issues* 11:48-57, 1993.

Cook, Philip J., "Paying the Tab: The Costs and Benefits of Alcohol Control." *The Milken Institute Review*, First Quarter, 2008, pp. 55-75.

Landsburg, Steven E., "The Indifference Principle." Chapter 4 in *The Armchair Economist*, New York: The Free Press, 1993.

Adler, Jonathan H., and Nathaniel Stewart, "The Magic of the Market: The Advantages of Catch-Share Fishing." *The Milken Institute Review*, pages 42-51, Fourth Quarter, 2012.

Anomaly, Jonathan, "How Should Antibiotics Be Regulated?" *Regulation*, Fall 2019, pp. 18-21.

Thaler, Richard H., Cass R. Sunstein, and John P. Balz, "Choice Architecture." Chapter 25 in Eldar Shafer, ed., *The Behavioral Foundations of Public Policy*, Princeton University Press, 2013.

Cooke, Brice, Binta Zahra Diop, Alissa Fishbane, et al., “Using Behavioral Science to Improve Criminal Justice Outcomes: Preventing Failures to Appear in Court.” ideas42 and the University of Chicago Crime Lab, January 2018.

Leitzel, Jim, “Double Defaults: Behavioral Regulation of Cocaine.” August 3, 2017; available at <https://ssrn.com/abstract=2737619>.

Kleiman, Mark A. R., “The Public-Health Case for Legalizing Marijuana.” *National Affairs*, Spring 2019.

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