

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 intergenerational mobility.

Organization:

Live lectures will be given Mondays and Wednesday 630pm-750pm Central Time on Zoom (links will be provided on Canvas). These will be recorded so that students can access.

Question/Answer/Supplemental Discussion sessions will be conducted Mondays and Wednesdays 800pm-920pm. Students are asked to submit questions in advance on the Piazza forum (accessible via Canvas).

Lecture notes will be distributed in advance of each topic. Students are strongly encouraged to study the notes prior to the lectures. These notes form the foundation of the course.

Readings: I have assigned Walter Nicholson and Christopher N. Snyder, *Microeconomic Theory* as the primary text and Carl Simon and Lawrence Blume, *Mathematics for Economists* as a supplementary text. 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% Homework 30% Midterm 30%.

There will be 6 homework assignments. The assignments will be due 10/11, 10/18, 10/25, 11/1, 11/15, 11/22.

Homework assignments will be done in preassigned groups and graded assigned to groups. All assignments will receive equal weight. Assignments should be submitted on-line (Canvas>Gradescope) and are due at 23:59pm on Sundays. No late assignments will be accepted.

TA sessions::

Section 1 students: Thursdays 6:00-7:20pm Central Time
Section 2 students: Thursdays 7:30-8:50pm Central Time

In these, teaching assistants (TAs) will review lectures and address questions about homework, etc.

Professor Office Hours: Wednesdays 1100am-1200pm Central Time

TA Office Hours:

Jingxin An (anjingxin@uchicago.edu): Fridays 10-11am Central Time

Lucas Mation (lucasmation@uchicago.edu): Tuesdays 6-7pm Central Time

Joyce Wang (xiaoxiw@uchicago.edu): Fridays 1-2pm Central Time

Exams:

Midterm: November 2

Final: December 7

Exams will be on-line (link on Canvas) and can be taken any time that day (24 exam taking window, relative to central time). Once you start the exam, you have 2h to complete the exam + 15min to scan + upload. The system stops receiving submissions after 2h15m.

Course Schedule (Subject to Adjustment)

September 30: 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 5: Tools 1: Functions, Maximization

- Nicholson and Snyder, Chapter 2.1-2.10.

October 7: Tools 2: Probability and Uncertainty

- Nicholson and Snyder, Chapter 2.11-2.12.

October 12: 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 14: Theory of Choice 2: Income and Substitution Effects

- Nicholson and Snyder, Chapter 5.

October 19: Theory of Choice 3: Uncertainty

- Nicholson and Snyder, Chapter 7, 17.1-17.6.
- Brock, W. and S. Durlauf. 2017. "On Sturdy Policy Evaluation." *Journal of Legal Studies* 44: S447-S473.
- Brock, W., S. Durlauf, and K. West. 2003. "Policy Evaluation in Uncertain Economic Environments." *Brookings Papers on Economic Activity* 1: 235-322.

October 21: Theory of Choice 3: Uncertainty (continued)

October 26: Theory of Choice 3: Uncertainty (continued)

October 28: Review

November 2: Midterm

November 4: Complementarities 1: Basic Ideas

- 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 the example from consumer theory)

November 9: Complementaries 2: Equilibrium

- Nicholson and Snyder, 8.1-8.4, 8.10.
- Becker, G. 1973. "A Theory of Marriage, Part I." *Journal of Political Economy* 81: 813-846.
- Cooper, R. and A. John. 1988. "Coordinating Coordination Failures in Keynesian Models," *Quarterly Journal of Economics* 103: 441-463. (Sections I and II).

November 11: Complementaries 2: Equilibrium

November 16: Intergenerational Mobility

- Becker, G., S. Kominers, K. Murphy, and J. Spenkuch. 2018. "A Theory of Intergenerational Income Mobility." *Journal of Political Economy*.
- 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. and A. Seshadri. 2018. "Understanding the Great Gatsby Curve." *Macroeconomics Annual 2017*.

November 18: Intergenerational Mobility

November 30: Discrimination

- 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.

December 2: Review