

## ***PPHA 32400: Microeconomics and Public Policy II***

***Winter 2022***

***Instructors:***

Navin Kumar ([navinkumar@uchicago.edu](mailto:navinkumar@uchicago.edu))

Office hours: TBD

Sheng-Hao Lo ([shenghaolo@uchicago.edu](mailto:shenghaolo@uchicago.edu))

Office hours: TBD

Zoom links for the office hours are available on the canvas website for the course. If you send an e-mail, please have the prefix PPHA32400 in the *Subject* line.

***Teaching Assistants: TBD***

***Course Description:***

This course is the second part of the microeconomic theory sequence that started with PPHA32300. We will cover monopolistic markets, markets with externalities, and the role of government regulation when the market fails. Also, the course introduces such concepts as intertemporal choice and attitude toward risk, which are critical in policy analysis. The more advanced topics include models of information asymmetry such as adverse selection and moral hazard.

***Course Website:***

The course has a website on [canvas.uchicago.edu](https://canvas.uchicago.edu). Course materials will be made available on the canvas website. In addition to the lectures, you are expected to complete the quizzes included with them.

***Live Sessions:***

All sessions are held on Tuesdays and Thursdays. Students are expected to participate in the session to which they are assigned; in some circumstances, exceptions can be made.

Kumar (all times CT):

- 9:30 – 10:50AM (Section 1)
- 2:00 – 3:20PM (Section 3)
- 3:30 – 4:50PM (Section 5)

Lo (all times CT):

- 11:00 – 12:20AM (Section 2)
- 2:00 – 3:20PM (Section 4)
- 3:30 – 4:50PM (Section 6)

TA sessions (all times CT):

- TBD

Links for remote sessions are posted on Canvas.

***Prerequisites:***

PPHA32300 or instructor's permission. You should be comfortable with basic algebra and calculus.

***Textbooks:***

The main textbook for this class is:

**(GLS) Austan Goolsbee, Steven Levitt, and Chad Syverson, *Microeconomics*, 3<sup>rd</sup> ed.**

However, the material of this course is classic and is covered in several excellent textbooks. Feel free to use the following two.

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

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

The advantage of Goolsbee-Levitt-Syverson and Perloff is that they both have a lot of real-world examples. Varian is a bare-bones theory textbook. Be careful (but not discouraged) if you use older versions of the textbooks – chapters, examples, and exercises may vary.

***Resources:***

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

**TA Sessions and Office Hours:**

TAs will hold weekly sessions, which will last for 80 minutes. In sessions, TAs will explain problem sets and demonstrate how to work with sample exercises. In addition, TAs will hold office hours each week. Use office hours to ask questions that were not discussed in class or TA sessions.

Also, the Harris school offers 10 hours of free tutoring for students enrolled in core classes. Harris Student Affairs will share information about how to access tutoring in Week 3 of the quarter. Any questions should be directed to [HarrisStudentAffairs@uchicago.edu](mailto:HarrisStudentAffairs@uchicago.edu).

**Problem Sets:**

There will be four problem sets, which must be handed in individually, with the deadlines for problems sets are as follows: **January 16, January 30, February 20** and **March 3**. You will need to hand in your solutions in an electronic format via Canvas.

**Exams:**

We will have one midterm exam (on Week 5) as well as the final exam (on Final Week). TA sessions one week prior to the final will serve as review sessions.

**Grading:**

Your course total will be based on:

- Problem sets (20%)
- Midterm exam (40%)
- Final exam (40%)

Per grading policy at Harris, students will be graded on the established curve. Final letter grades will be distributed as follows, with modest deviations permitted in cases where students on either side of a cutoff have nearly identical numerical scores:

A	1/8
A-	1/4
B+	1/4
B	1/4

B- and below 1/8

**Re-grade requests:**

If you would like to contest a grade, you must do so in *Gradescope* within 7 days of receiving your grade for that assignment or exam. To submit a Regrade Request, first click on the question that you wish to submit a request for in *Gradescope*. Once a question has been selected, click the Request Regrade button in the bottom action bar. A textbox will appear allowing you to type an explanation of the request for the specific question that was chosen.

See <https://help.gradescope.com/article/8hchz9h8wh-student-regrade-request> for guidance.

In all cases, the entire assignment will be re-graded, not just the question or specific part that pertains to your grievance. As a result, the re-grade can (and often does) result in a lower overall grade on the assignment or exam.

**Communication:**

Communication from instructors to students will happen through posting of materials on Canvas, including postings to Announcements and Ed Discussions.

As there are many students in this sequence, emailing your instructor directly is the least effective way to have either a logistical or a pedagogical issue resolved. Therefore, we suggest and request that communication from students take the following forms:

- Questions regarding scheduling should be directed to the head TAs.
- Questions regarding course material may be posted on Ed Discussions, a forum that is monitored by the teaching assistants and instructors.

**Academic Integrity:**

All Harris students are expected to uphold the highest standards of academic Integrity and honesty. Among other things, this means that students shall not represent another's work as their own, use un-allowed materials during exams, or otherwise gain unfair academic advantage.

The University's policies regarding academic integrity and dishonesty are described [here](#). The specific Harris School's policies are available in the *Harris Student Handbook* Canvas site. All students suspected of academic dishonesty will be reported to the Harris Dean of Students for investigation and adjudication. The disciplinary process can result in sanctions up to and including suspension or expulsion from the University. In addition to disciplinary sanctions, there are grade penalties for students who have committed academic dishonesty.

***Diversity and Inclusion:***

Consistent with the University of Chicago's commitment to open discourse and free expression, we encourage students to respect and engage with others of differing backgrounds or perspectives, even when the ideas or insights shared may be viewed as unpopular or controversial. Thought-provoking discourse is facilitated when we not only speak freely but also listen carefully and respectfully to others.

***Recording and Deletion Policy:***

The Recording and Deletion Policies for the current academic year can be found in the Student Manual under Petitions, Audio & Video Recording on Campus.

- Do not record, share, or disseminate any course sessions, video, transcripts, audio, or chats.
- Do not share links for the course to those not currently enrolled.
- Zoom session recordings will be provided to students with disabilities for whom the approved accommodations include access to live sessions recordings.

***Americans with Disabilities Act:***

Students with disabilities needing academic accommodation should contact UChicago's Student Disability Services (SDS). Please see their webpage for contact information (<https://disabilities.uchicago.edu>). If SDS determines a disability accommodation is appropriate, you should inform the Harris Dean of Students office by the end of the first week of class. The Harris Dean of Students office will work with the student and instructor to coordinate the students' accommodations implementation. Harris students are not required to submit their accommodations letter to the instructor. Students who do not yet have formal accommodations in place but who feel they need accommodations on a temporary or ongoing basis should contact the Harris Dean of Students Office or Student Disability Services.

***Mental Health Services:***

Students differ in how much they know about mental health services. Your use of UChicago's Student Health and Counseling Services (SHCS) is free, confidential and not linked to your academic file. There are no gains from suffering in silence, so please do not hesitate to make use of the services provided by SHCS if you need them. Please see SHCS' mental health webpage for services and contact information (<https://wellness.uchicago.edu/mental-health/>). And if you are having serious mental, physical, or other problems, immediately contact the urgent medical care line at (773) 834-WELL.

***Tentative Course Plan:***

**Week 1** (January 3 – 9):

- Monopoly (**GLS 9.1**, P 11, V 24)
- Market Power and Elasticity (**GLS 9.2-9.4**, P 11, V 24)
- Deadweight Loss (**GLS 9.5**, P 11, V 24)
- Natural Monopoly (**GLS 9.1**, P 11.4, V 24.6)
- Regulating a Monopoly (**GLS 9.6**, P 11.6, V 24)

**Week 2** (January 10 – 16):

- Price Discrimination (**GLS 10.1**, P 12, V 25)
- Types of Price Discrimination (**GLS 10.2-10.4**, P 12, V 25)
- Two-part Tariff (**GLS 10.6**, P 12.5, V 25.6)
- Bundling (**GLS 10.5**, P 12.6, V 25.5)

**Week 3** (January 17 – 23):

- Cournot Oligopoly (**GLS 11.1-11.2**, P 13, V 27)
- Bertrand Oligopoly (**GLS 11.3**, P 13, V 27)
- Strategic Analysis: Simultaneous Games (**GLS 12.1-12.2**, P 14, V 28)

**Week 4** (January 24 – 30):

- Entry Deterrence (**GLS 12.5**, P 14.3, V 28.8)
- Stackelberg Oligopoly (**GLS 11.5**, P 13, V 27)
- Strategic Analysis: Sequential Games (**GLS 12.4-12.5**, P 14, V 28)

**Week 5** (January 31 – February 6) – *midterm during live session*:

- Cartels (**GLS 11.2**, P 13.2, V 27.10-11)
- Sustaining a Cartel (**GLS 12.3**, V 28.6)
- Monopolistic Competition (**GLS 11.7**, P 13, V 25.7)

**Week 6** (February 7 – 13):

- Externalities (**GLS 17.1-2**, P 18, V 34)
- Public Goods (**GLS 17.4**, P 18, V 36)
- Coase Theorem (**GLS 17.2**, P 18, V 34)

**Week 7** (February 14 – 20):

- Intertemporal Choice (**GLS 14.1**, P 16.1-2, V 10)

- Evaluating Investment (**GLS 14.2**, P 16.4)
- Defining Risk: Variance and Standard Deviation (**GLS 14.4-5**, P 17, V 12-13)
- Expected Value and Expected Utility (**GLS 14.5**, P 17, V 12-13)

**Week 8** (February 21 – 27):

- Diversification and Risk (**GLS 14.5**, P 17, V 12-13)
- Insurance (**GLS 14.5**, P 17, V 12)
- Adverse Selection (**GLS 16.1**, P 19, V 37)
- Signaling and Screening (**GLS 16.4**, P 19, V 37)

**Week 9** (February 28 – March 3):

- Moral Hazard (**GLS 16.3**, P 20, V 37)
- Auctions (P 14.4)
- Mechanism Design (P 18, V 36)

**Final Exam (TBD)**