

PPHA32310  
Steven N. Durlauf  
Fall 2023

## 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 and discrimination.

### Lectures:

In-person lectures Mondays and Wednesdays 3:00-4:20 in Keller 0007

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.

### TA sessions:

Question/Answer/Supplemental Discussion sessions will be conducted on Fridays from 10:30-11:50 in Keller 0010

Students are asked to submit questions in advance on the Piazza forum (accessible via Canvas).

Zoom links for both TA sessions and Lectures will be provided on Canvas. To attend lectures and TA sessions remotely you will need previous authorization from the professor or the head TA.

**Readings:** Walter Nicholson and Christopher N. Snyder, *Microeconomic Theory* is the primary text for the course and Carl Simon and Lawrence Blume, *Mathematics for Economists* is the supplementary text. Other readings consist of scholarly articles.

**Grading:** Grades are based on homework assignments, a midterm exam, and a final exam. The weights of these are: Final 40% Homework 30% Midterm 30%.

There will be 6 homework assignments. The assignments will be due 10/8, 10/15, 10/22, 10/29, 11/12, 11/19.

**Homework:** Assignments will be done in preassigned random groups and graded assigned to groups. The assignment will be made via canvas by the head TA and will change after assignment 3. All assignments will receive equal weight. Assignments should be submitted on-line on Canvas and are **due at 23:59pm on Sundays**. No late assignments will be accepted.

**Regrading Policy:**

A regrade request must be submitted via email within 7 days after the assignment or exam is returned to you. To request a re-grade, you must complete a re-grade request form (available on Canvas) and email it to your instructor and the head TA. 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.

**Professor Office Hours:**

Mondays 6:00 pm-7:00 pm Central Time Keller 3035

**TA Office Hours:**

Steve Kim: Wednesdays 4:30 pm – 5:30 pm TBA

Jorge Zavala: Thursday 11:00 am – 12:00 pm TBA

**Exams:**

Midterm: November 1

Final: Week of December 5-9 date TBA

## **Course Schedule (Subject to Adjustment During the Quarter)**

### September 27: 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 2: Theory and Public Policy: Overview (continued)

#### October 4: Ethics and Public Policy

- Kaplow, L. and S. Shavell. 2001. "Any Non-Welfarist Method of Policy Assessment Violates the Pareto Principle." *Journal of Political Economy* 109: 281-286.
- Roemer J. 1993. "A Pragmatic Theory of Responsibility for the Egalitarian Planner." *Philosophy and Public Affairs* 22: 146-166.
- Sen, A. 1970. "The Impossibility of a Paretian Liberal." *Journal of Political Economy* 78: 152-157.

### October 6: Ethics and Public Policy (Continued)

#### October 9: Tools 1: Functions, Maximization

- Nicholson and Snyder, Chapter 2.1-2.10.

#### October 11: Tools 2: Probability and Uncertainty

- Nicholson and Snyder, Chapter 2.11-2.12.

#### October 16: 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 18: Theory of Choice 2: Income and Substitution Effects

- Nicholson and Snyder, Chapter 5.

#### October 23: 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.

### October 25: Theory of Choice 3: Uncertainty (continued)

### October 30: Review

## November 1: Midterm

### November 6: 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 8: Complementarities 2: Equilibrium Consequences

- 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 13: Complementarities 2: Equilibrium Consequences (Continued)

### November 15: Intergenerational Mobility

- Becker, G., S. Kominers, K. Murphy, and J. Spenkuch. 2018. "A Theory of Intergenerational Mobility." *Journal of Political Economy* 126: S1-S25.
- 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. 1996. "A Theory of Persistent Income Inequality." *Journal of Economic Growth* 1: 75-93.
- Durlauf, S., A Kourtellos, and C.-M. Tan. 2022. "The Great Gatsby Curve." *Annual Review of Economics*, 14: 571-605.

### November 27: Intergenerational Mobility (Continued)

### November 29: 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.
- Persico, N. 2009. "Racial Profiling? Detecting Bias Using Statistical Evidence." *Annual Review of Economics* 1: 229-254.
- Reskin, B. 2012. "The Race Discrimination System." *Annual Review of Sociology* 38: 17-35.
- Small, M. and D. Pager. 2020. "Sociological Perspectives on Racial Discrimination." *Journal of Economic Perspectives* 34: 49-67.

## December 4: Review