THE UNIVERSITY OF CHICAGO
HARRIS SCHOOL
OF PUBLIC POLICY

Principles of Microeconomics and Public Policy II

PPHA 32400
Winter 2026
Sections 1, 2, 3, 4, 5, 6

Instructors

Navin Kumar (navinkumar@uchicago.edu), Keller 2081
Office hours: Friday 2:00-3:30pm (Calendly link) or by appointment via email.

Hyuk-soo Kwon (hskwon@uchicago.edu), Keller 2061
Office hours: Tuesday and Thursday 5:10-6:00pm (Calendly link) or by appointment via email.

Konstantin Sonin (ksonin@uchicago.edu), Keller 2021
Office hours: Tuesday 3:30-4:30 or by appointment via email.

Admin TA: Nate Vellekoop (core-micro@uchicago.edu)

Teaching Assistants and their office hours
Steve Kim (kimsy@uchicago.edu), Tuesday 10-11am, Room 2050
Peizan Sheng (peizan@uchicago.edu), Friday 5-6pm, Room 2054
Ralph Valery Valiere (ralphvaleryv@uchicago.edu), Wednesday 1:30-2:30pm, Room 2058

Course Description

This course is the second part of the microeconomic theory sequence that started with PPHA 32300. We will cover firm behavior, monopolies, market power, the role of government regulation when a market fails, and strategic behaviors of market participants. The more advanced topics include models of information asymmetry such as adverse selection and moral hazard. We will apply the theoretical concepts studied in the class to anti-trust regulation in IT, health care reforms, monetary policy, and regulation of fisheries and banks.

Prerequisites

PPHA 32300 or instructor's permission. You should be comfortable with basic algebra and calculus.

Key Course Details

- The syllabus, home assignments, and exams will be the same across all sections.
- Instructors' slides might differ slightly to reflect different teaching styles; they always contain the same material.
- Exams (two quizzes and the final exam) will be primarily concerned with what was discussed in the lecture classes and home assignments.
- Exams will be closed-book, but you will be allowed to use one piece of paper (2 pages) as a cheat sheet. You may use the front and back.

- For all inquiries about administrative matters, please email core-micro@uchicago.edu
- *TA Sessions:* All TA sessions will be joint across sections
- *Grading:* See below. Grades will be based on a curve, not a specific numerical cut-off.

Course Meetings

All classes meet on Tuesdays and Thursdays; times listed below are in Chicago time:

- Section 1 (Sonin): 9:30-10:50am, Keller 1022
- Section 2 (Sonin): 11:00-12:20am, Keller 1022
- Section 3 (Kwon): 2:00-3:20am, Keller 1002
- Section 4 (Sonin): 2:00-3:20am, Keller 1022
- Section 5 (Kumar): 3:30-4:50pm, Keller 0001
- Section 6 (Kwon): 3:30-4:50pm, Keller 1002

Communication

Primary communication from instructors to students should happen through posting of materials on Canvas, including postings to Announcements. Please read all Canvas Announcements related to the course. To ensure receipt, you may wish to confirm that you have email notifications enabled for Canvas Announcements.

Questions regarding course materials should be posted on Ed Discussion, a forum that is monitored by instructors and TAs during business hours on weekdays.

Questions regarding administrative matters should be emailed to core-micro@uchicago.edu, which is monitored by our administrative TAs.

Attendance Policy

Students are expected to participate in the session to which they enrolled and attend all classes. This is required by the Harris attendance policy and will be strictly enforced. Students may miss **up to two excused absences** without penalty. Every absence beyond the first two reduces the course grade by one percentage point. We will begin tracking attendance from week 1 onwards, including week 1.

Excessive absences must be reported to the Senior Associate Dean of Students, **Andrew Dawson**. Students may be withdrawn from the course after a warning—or, in some cases, without a formal warning.

Attendance will be taken at the beginning of each class. ***Signing in attendance on behalf of others is a serious violation of the Harris academic dishonesty policy.*** If you are late to class, then ask the instructor after the class to mark your attendance.

Classroom Participation and Electronics Policy

The instructor may add up to 5 percentage points for active and productive class participation.

As in all core classes, Harris forbids the use of screens in the classroom, with exceptions for SDS accommodations and for handwritten note-taking on tablets laid flat on students' desks.

TA Sessions

TAs will hold weekly sessions, which will last for 80 minutes. In sessions, TAs will review material from the previous week's lectures and work through some sample exercises. Attendance at TA sessions is recommended. Students will sign up for specific TA sessions when they register for the course. will be posted on Canvas. All times listed below are in Chicago time:

- Section 1: Thursday, 5-6:20pm, Keller 0023
- Section 2: Friday, 10:30-11:50am, Keller 1002
- Section 3: Friday, 1:30-2:50pm, Keller 1002
- Section 4: Friday, 3-4:20pm, Keller 1002
- Section 5: Friday, 1:30-2:50pm, Remote

Textbooks

We do not have one main textbook for this class. You can use any of the textbooks mentioned below, including their previous editions, but be careful – numbering of chapters, examples, and exercises may vary. Also, we will heavily rely on the Core's The Economy 1.0, which is available online free of charge. All these textbooks contain far more material than what we will be able to cover.

- Austan Goolsbee, Steven Levitt, and Chad Syverson, Microeconomics, 3rd ed.
- Jeffrey Perloff. *Microeconomics*, 8th ed.
- Hal Varian. *Intermediate Microeconomics: A Modern Approach*, 9th 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.

Home Assignments

There will be six graded weekly home assignments. Deadlines for each assignment are set as follows:

- Home assignment 1: 01/16
- Home assignment 2: 01/23
- Home assignment 3: 01/30
- Home assignment 4: Not graded
- Home assignment 5: 02/13
- Home assignment 6: 02/20
- Home assignment 7: Not graded
- Home assignment 8: 03/07
- Home assignment 9: Not graded

Each weekly home assignment will have two parts – one ungraded, the other graded. You must do both parts, but submit only the second one (i.e., the part which will be graded).

- Home assignments must be submitted individually via Gradescope.
- Home assignments should be submitted as typewritten pdf files. Use any software like Word or LaTeX to typeset your equations, if needed.
- Assignments will be made available on Saturday mornings, and are due the subsequent Friday evenings. More precisely, assignments are due at 11:59 pm Chicago time on their respective due dates.
- You must **correctly tag your pages on Gradescope prior to submission.** Instructions for tagging pages are located in the "Assignments" section of Canvas.
- **Late assignments will not be accepted.** The homework assignments may take several hours to complete. Starting work on your assignment well in advance ensures that you have ample time to complete the assignment and the opportunity to seek help from your peers, TAs, instructors, and other course resources.

Exams

The quizzes will take place in Week 5 and Week 8. All quizzes will be held from 9:00–10:20 AM on Friday morning, in classrooms throughout Keller. Each quiz will last approximately 30–40 minutes.

We will have the final exam on Tuesday, March 10. The final will cover material from the entire quarter. TA

sessions one week prior to the exams will serve as review sessions. You must obtain permission from the Dean of Students to take an exam at any time other than the scheduled hours.

Grading

Final grades in this course consist of four components: class participation (5%), homework assignments (20%), two quizzes (35%), and the final exam (40%). Of the two quizzes, the one with the higher score will receive more weight (20%) than the other (15%). Of the six graded home assignments, the lowest will be dropped.

Like all Harris core courses, this course is graded on a curve based on students' relative ranking across all sections. 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:

Letter Grade	Fraction of class
A	Top 1/8
A-	Next 1/4
B+	Next 1/4
B	Next 1/4
B- and below	Bottom 1/8

Regrade Requests

If you would like to request a regrade for an assignment or an exam, you must do so in Gradescope within 7 days of receiving your grade. To submit a request, click on the question for which you wish to submit a request 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. In all cases, the entire question will be regraded; the regrade might result in a lower overall grade on the assignment or exam.

Instructor Office Hours

The instructors will conduct office hours. You are encouraged to attend your instructor's office hours. However, if your schedule precludes you from attending your instructor's office hours, you may attend the office hours of another instructor. More information, including time slots and links for office hours, is available on Canvas.

TA Office Hours

In addition to classroom-style sessions, TAs will also offer office hours, where you can receive more individualized attention on a first-come, first-served basis. These office hours will supplement the main TA sessions and will be served by TAs in rotation. All information will be posted on Canvas.

Tutoring

Harris School offers 10 hours of free tutoring for students enrolled in core classes. Student Affairs (HarrisStudentAffairs@uchicago.edu) will share information about how to access it in Week 3 of the quarter.

CLASS PLAN

WEEK 1

Lecture 1 (Tu, Jan 6) Markets and Prices

Prices as signals; markets as mechanisms to aggregate information, transmit information, and improve allocative efficiency.
Readings will be posted on Canvas

Lecture 2 (Th, Jan 8) A Competitive Firm

What is a firm? Business decisions of a firm in the market. Fixed cost, variable cost, and the sunk cost fallacy.
Readings: CORE 6.1-6.3, GLS 6-8, Perloff 6-8, Varian 19-20

WEEK 2

Lecture 3 (Tu, Jan 13) Market Power

Why do some firms not take market prices as given? Legal sources of market power. Patents. Market power as a result of competition. Economic analysis of monopoly. Why does every firm want to be a monopoly?
Readings: CORE 7.10 8.10, GLS 9.1-5, Perloff 11, Varian 24

Lecture 4 (Th, Jan 15) Anti-Trust Regulation

What is wrong with the monopoly? Why are monopolies regulated? Basics of anti-trust regulation. Recent cases in IT: Facebook, Google, Twitter.
Readings: GLS 9.6, Perloff 11.6, Varian 24.6

WEEK 3

Lecture 5 (Tu, Jan 20) Price Discrimination

Price discrimination, perfect price discrimination, group discrimination, welfare implications.
Readings: CORE 7.6, GLS 9.1, Perloff 11.4, Varian 24.6

Lecture 6 (Th, Jan 22) Pricing Strategies

Versioning, block pricing, two-part tariffs, bundling, and other pricing strategies of firms with market power.
Readings: GLS 10.5-6, Perloff 12.5-6, Varian 25.5-6

WEEK 4

Lecture 7 (Tu, Jan 27) Game Theory

Introduction/review of game theory, with a focus on economic applications.
Readings: CORE 7.6, GLS 9.1, Perloff 11.4, Varian 24.6

Lecture 8 (Th, Jan 29) Oligopoly

Markets with few players. Market power limited by competition. Reminder of game theory.
Readings: CORE 4.1 4.3 4.13, GLS 11.1-4, 12.1-2, Perloff 13-14, Varian 27-28

WEEK 5

Lecture 9 (Tu, Feb 3) Cartels and Competition Policy

Collusion in markets. Examples of regulatory interventions. Theory of long-term strategic interaction.

Readings: CORE 4.6, GLS 11.2 12.3, Perloff 13.2, Varian 27.10-11 28.6

Lecture 10 (Th, Feb 5) Comparative Market Analysis

Entry, exit, profits, and pass through rates under different market structures.
Readings will be posted on canvas

WEEK 6

Lecture 11 (Tu, Feb 10) Public Goods

Definition and basic examples of public goods. Why are public goods not efficiently provided by the market? Free-riding problem.
Readings: CORE 4.6 12.1 12.5, GLS 17, Varian 36

Lecture 12 (Th, Feb 12) Coasian Approach to Externalities

The tragedy of commons. Government interventions and market-based solutions. West Coast Fisheries as an example.
Readings: GLS 17.3, Perloff 18, Varian 34

WEEK 7

Lecture 13 (Tu, Feb 17) Uncertainty & Risk

Expected value, expected utility, risk aversion.
Readings: GLS 14.5, Perloff 17, Varian 12-13

Lecture 14 (Th, Feb 19) Insurance

Risk-sharing, diversification, leverage.
Readings: GLS 14.4-5, Perloff 17, Varian 12-13

WEEK 8

Lecture 15 (Tu, Feb 24) Banking

Applying strategic analysis to insurance, bank runs, and banking regulation to illustrate moral hazard issues in agents' behavior and government regulation.
Readings: CORE 10.2 17.11

Lecture 16 (Th, Feb 26) Moral Hazard & Inflation

What is money? Inflation & unemployment. Commitment, dynamic inconsistency, and the issue of central banks' independence.
Readings: will be posted on Canvas

WEEK 9

Lecture 17 (Tu, Mar 3) Moral Hazard & Contracts

Definition of moral hazard; Contracts as mechanisms to limit moral hazard and increase efficiency.
Readings: CORE 6.10, GLS 16.2-3, Perloff 20, Varian 37

Lecture 18 (Th, Mar 5) Adverse Selection & Health Insurance

How asymmetric information might lead to a market unraveling. "Lemons" model and its application to the market of medical insurance. Basic economics of Obamacare.
Readings: CORE 12.6, GLS 16.1, Perloff 19, Varian 37

Final Exam: March 10

Academic integrity

All University of Chicago 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 disallowed materials during exams, or otherwise gain unfair academic advantage. The Harris School's policies are available in the Harris Student Handbook Canvas site; University of Chicago policies also might be relevant.

Diversity and inclusion

The Harris School welcomes, values, and respects students, faculty, and staff from a wide range of backgrounds and experiences. We believe that rigorous inquiry and effective public policy problem-solving requires the expression and understanding of diverse viewpoints, experiences, and traditions. There are University-wide principles and guidelines and ones developed at Harris.

Disability accommodations

The University of Chicago has developed policies regarding students with disabilities. Students who have or need disability accommodations should communicate with the Harris' Dean of Students office to coordinate the implementation.

Student mental health and other support

If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, remote or live counseling services are available. For other forms of support, please consult Harris Academic Support Programs page, Student Wellness , and University Learning Resources.