

# PPHA 32400: Principles of Microeconomics and Public Policy II

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Keller 3101

Spring Quarter, 2019

## Course Information

M & W 2:00 PM - 3:20 PM  
Keller 0001

April 1st - June 15th, 2019

## Office Hours

I will be available at my office (Keller 3101) on Tuesdays and Thursdays from 11-noon, or other times by appointment. Information on TA availability will be pending.

## Teaching Assistant

Esteban Castaneda - [estebancastaneda@uchicago.edu](mailto:estebancastaneda@uchicago.edu)

## Course Objectives

This course is the second of a two-part sequence, preceded by Principles of Microeconomics and Public Policy I (PPHA 32300). We will build on what was learned in the earlier course by studying the many ways markets fail to act as perfectly competitive. Each section will begin with the underlying theory, then expand to practical policy implications with a final project that focuses on using real microeconomic data. The course will require calculus and the use of a software package of your choice to work with data, apply econometric models, and build plots. Over the quarter, students will learn:

- Monopolies, oligopolies, and other types of firms with market power

- Externalities
- Other market failures, such as information asymmetry
- Government regulation and property rights
- Game theory

## Laptops, Software and Textbooks

The textbook we will reference over the quarter is Goolsbee, Levitt and Syverson, *Microeconomics, 2nd Edition* (GLS). Later sections may draw from material not in GLS, but will not require purchases on your part to access.

A software package for data and analysis will be required for the final project, but this will be used out of class on an individual basis. Examples include Stata, SAS, R, or Python.

Laptops will not be required during class. You are free to use them, however I suggest you review the evidence about computer usage in lectures and the benefits and costs before deciding. If you are unable to take notes or follow slides on your laptop without also doing things that distract other students, like games or social media, please sit in the back of the room so others can't see your screen as easily. If you're unable to do either of those things, you may be asked not to bring a laptop to class.

## Attendance

There is no attendance policy, and you don't need to give me excuses not to come. However, you will be fully responsible for the material covered in class, and while slides from class may be posted, they will not include full commentary.

If you experience issues with attending class or completing work due to child care, please speak with me directly so we can find an accomodation.

## Academic Integrity

Standards of academic conduct are set forth in the University's Academic Integrity guide.

## Homework, Exams, and Grading

Your grade will consist of two in-class quizzes, one midterm exam, and one final project. Quizzes will be short, and announced one class in advance. There are no graded homework assignments. The exam can be made up before the next class period at a penalty, but there is no makeup for in-class quizzes.

- 40%: Final project

- 40%: Midterm exam
- 20%: In-class quizzes

I expect final grades will use the standard Harris curve of 1/8 A, 1/4 A-, 1/4 B+, 1/4 B, 1/8 B-, though this is not guaranteed.

## Final Project

Your final project will be original research using real data to investigate a question relevant to the course. It will make up 40% of your final grade, and will be due on the date of our scheduled final exam. There will be no need to actually attend anything at that final exam time. Details will follow mid-way through the quarter.

## Course Outline

*This outline may be subject to change.*

### Week 1: Introduction, Monopoly

1. Introduction, perfect competition versus market power, monopoly (GLS 9.1 - 9.4)
2. Deadweight loss, regulating a monopoly (GLS 9.5, 9.6)

### Week 2: Strategies

1. Price discrimination, bundling (GLS 10.1 - 10.5)
2. Tariffs (GLS 10.6)

### Week 3: Factor markets

1. Labor markets (GLS 13.1 - 13.4)
2. Other factor markets (GLS 13.5 - 13.7)

### Week 4: Game theory

1. Simultaneous games (GLS 12.1 - 12.3)
2. Sequential games (GLS 12.4 - 12.5)

### Week 5: Other types of markets

1. Oligopoly, Cartels (GLS 11.1 - 11.5)

### **Week 6: Monopolistic competition**

1. Monopolistic competition and product differentiation (GLS 11.6 - 11.7)

### **Midterm Exam**

### **Week 7: Market failures I**

1. Adverse selection (GLS 16.1)
2. Asymmetric information (GLS 16.2 - 16.4)

### **Week 8: Market failures II**

1. Externalities, public goods (GLS 17.1 - 17.2, 17.4)
2. Coase Theorem (GLS 17.3)

### **Week 9: Expanding microeconomics I**

1. Political economy
2. Microeconomics and data

### **Week 10: Expanding microeconomics II**

1. Agent based modeling
2. Behavioral economics