

**Public Policy 324**  
**Microeconomics and Public Policy II**

Winter 2006: M W 10:30 - 11:50 am, Lecture Hall

**Instructor:** Jeffrey Grogger  
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Office hours: Mondays, 1:30 - 3 pm

**Teaching Assistants:** *Note: Sections will not meet during the first week of class.*

Name	Email	Section (Location)	Office hours (Location)
Jorge Fabrega	<a href="mailto:jfabrega@uchicago.edu">jfabrega@uchicago.edu</a>	W, 12-1pm, Lecture Hall	W, 9-10am, 140A
Roland Holst	<a href="mailto:rholst@uchicago.edu">rholst@uchicago.edu</a>	T, 3-5 pm, Woodlawn	
Sarah Lee	<a href="mailto:slee@uchicago.edu">slee@uchicago.edu</a>	Th, 1:30-2:30, 140B	Th, 3-4 pm, 140A
Oscar Vela	<a href="mailto:velatre@uchicago.edu">velatre@uchicago.edu</a>	M, 5-7 pm, 140C	
Petr Barton	<a href="mailto:pbarton@uchicago.edu">pbarton@uchicago.edu</a>	Th, 9-10 am, 140C	M, W 10-10:30 am, 140A

**Course web page:** To access the course web page, go to [chalk.uchicago.edu](http://chalk.uchicago.edu), log in, and follow the links to PP324. Your user ID is your CNetID (the first part of your email address) and your password is your student ID number.

**Course goals:** This is the second of a two-course sequence in microeconomic theory. This course covers the theory of market structure, market failures, and some special topics. By the end of the class, you should be able to analyze problems in these areas both formally and informally.

**Prerequisites:** Public Policy 323. You will need to know how to differentiate simple functions.

**Sections:** Attendance at section is required. You will be free to choose which section you attend, subject to capacity constraints, but after the second week, you will be expected to attend that section regularly.

**Grading:** Grades will be based on four problem sets, a midterm and a final exam.

**Problem sets:** Students may work together on problem sets but each student must write up his/her answer set individually. Problem set grading involves an explicit incentive mechanism. If you turn in four serious answer sets, you will be allowed to drop the worst score, and the three remaining problem sets will make up 40 percent of your grade. If you hand in fewer than four serious answer sets, then all four problem sets will count, and they will make up 47 percent of your grade. This means that skipping a problem set is equivalent to taking a score of zero for about 12 percent of your course grade, so don't do it.

Problem sets will be posted to the website as soon as they are available. Answer keys will be posted to the website shortly after class on the date that the problem sets are due. Therefore, problem sets are due in class on the due date and ***no late problem sets will be accepted***. The due date for each problem set will appear on the heading of the problem set.

**Exams.** By default, the midterm and final together will count for 60 percent of your grade. If you fail to hand in four serious problem set answers, then the exams will collectively count for 53 percent of your grade. (Rest assured, you can never do better by skipping a problem set.) The midterm date will be announced in class approximately two weeks before the exam. The final exam will be held on *Wednesday, March 15*, at a time to be announced. ***There will be no make-up exams.***

**Textbooks:** The textbooks are:

(P) Jeffrey Perloff. Microeconomics, 3rd edition.

(V) Hal Varian. Intermediate Microeconomics: A Modern Approach. 6th ed.

I follow Perloff as much as possible, but I rely on Varian for topics where his treatment is pronouncedly superior. If you want to use an older edition, it's up to you, but you take responsibility for cross-walking the chapters, examples, exercises, etc. between the older version and the current one.

### **Topics and Readings:**

#### ***Section I: Market Structure***

1. Traditional Monopoly Models (P, ch. 11; V, ch. 24)
2. Monopoly Pricing (P, ch. 12; V, ch. 25)
3. Oligopoly (P, ch. 13; V, ch. 27)
4. Entry (P, ch. 14)

#### ***Section II: Traditional Market Failures***

5. Externalities (P, ch. 18; V, ch. 33)
6. Public Goods (P, ch. 18; V, ch. 35)

#### ***Section III: Time, Uncertainty, and Information***

7. Intertemporal Choice and Asset Markets (P, ch. 16; V, chs. 10 and 11)
8. Uncertainty (P, ch. 17; V, ch. 12)
9. Risky Assets (P, ch. 17; V, ch. 13)
10. Asymmetric Information (P, chs. 19,10; V, ch. 36)