



Goldman School of Public Policy  
University of California, Berkeley

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**PP210B: The Economics of Public Policy Analysis, Spring 2022**  
**Professor Hilary Hoynes, [hoynes@berkeley.edu](mailto:hoynes@berkeley.edu)**

**Objective** -- This course continues from PP210A and shares the same general objectives - to teach you to use microeconomic theory and economic reasoning to analyze public policy problems. The main topics include: theory of the firm, welfare analysis, noncompetitive markets (monopoly, monopsony), externalities, public goods and asymmetric information. Throughout the semester, we will place particular emphasis on the application of theory to real public policy problems. Some of the applications we will discuss are minimum wages, rent control, policies to address monopoly and monopsony power, policies for climate change, soda taxes, and how to balance the benefits and costs of social insurance to design effective policy. A major objective of this course is to provide the bridge between abstract theory and real-world problems. Hence, the course will place heavy emphasis on applications.

**Lecture Meeting Time**– T/TH 8:30-10:30 ([Zoom Link](#)) and in GSPP 250.

In addition, there are discussion sections on Fridays led by the GSIs where material presented during the week will be reinforced and practice problems will be done (Friday 9-1030, 1030-1200).

**Instructor Office Hours**– Dedicated PP210B office hours Tues 1:00p-2:00p. [Sign up](#), [Zoom link](#).  
Best way to reach me is at [hoynes@berkeley.edu](mailto:hoynes@berkeley.edu).

**The rest of the team –**

GSI: Aaron Tiedemann [atiedemann@berkeley.edu](mailto:atiedemann@berkeley.edu)

GSI: Scarlett Saunders [scarlett\\_saunders@berkeley.edu](mailto:scarlett_saunders@berkeley.edu)

Tutor: Maria Perez [mcperez@berkeley.edu](mailto:mcperez@berkeley.edu)

**Course Web Site**– <https://bCourses.berkeley.edu>. There you will find everything - syllabus, daily readings and assignments, powerpoint lecture notes, course readings, recorded lectures and all Zoom links.

**Course Grade**– Grades will be based on 3 exams (25 percent each) and 6 problems sets (worth a cumulative 25 percent). Problem sets will be posted on bCourses and are due a week later (or when noted on the syllabus). Late problem sets are docked 20 percentage points per day. While you will not be docked for incorrect answers on problem sets, the problem sets will provide important practice for the exams. Hence, I urge everyone to do their best and hand them in on time.

**Required Readings** – Our textbook is **Perloff, Jeffrey M Microeconomics: Theory and Applications with Calculus, Pearson Press**. I have the 4<sup>th</sup> edition (2016), there is also a 5<sup>th</sup> edition (2020) and a 3<sup>rd</sup> edition (2014). Any are fine!

**Optional Readings** – To supplement the textbook, I have a collection of other readings to cover various applications, posted on bCourses. These are not required reading. I have flagged these as “[POLICY]” or “[ACADEMIC]”. The policy flagged readings are either briefs, blogs, or newspaper pieces and are quite accessible. The academic flagged readings are from academic journals.

**Special notes for special times:**

**Online course start to the semester** – As per campus recommendations, we will be starting the class fully remote. The lectures are synchronous and I will be recording the lectures to post to bCourses.

**What to do when I am sick or exposed?** – Once we are cleared to have classes in person, I will set up a hybrid option so that those who are in quarantine or who are ill can attend class.

**Other issues**

**Late policy and dean’s note:** Even in normal times, we are all juggling many responsibilities outside our classes. The current environment creates additional uncertainty. Our goal is to strike a balance that allows for individual circumstances while still enforcing some structure for the course. First, we will not, in general, accept late submissions or make-up exams for this course. We’re adopting a “dean’s note” policy that has worked well in previous courses: I will only grant an extension/makeup with a written request from a GSPP dean (e.g., Annie Campbell-Washington). In the past, this process has served as an important mechanism for ensuring that students are connected with appropriate campus resources while preserving student privacy. This kind of coordination is especially important right now. Of course, you’re also welcome to come to the teaching staff directly to discuss extensions, but (barring exceptional circumstances) this would be in addition to a GSPP dean’s note.

**Honor Code and Academic Honesty Policy:** We at UC Berkeley have adopted this Honor Code: “As a member of the UC Berkeley community, I act with honesty, integrity, and respect for others.” Your instructors join you in pledging to adhere to this code. We take academic honesty very seriously and I suggest you to spend time familiarizing yourself with the rules of academic conduct and ask if you have any questions (<https://sa.berkeley.edu/conduct/integrity/definition>).

**Special Accommodations.** If you require disability-related accommodations for exams or lecture or if you have emergency medical information that you wish to share, please let me know as soon as possible. Per university regulations, requests for exam or other presentation accommodations must be received (along with any required documentation from the Disabled Students Program) and acknowledged at least two weeks in advance of the exam.

**Wellness and support.** Being in graduate school can be difficult. We will be a stronger community if we all try to reach out when we see someone struggling, and/or support each other as we go through challenges. In practice, that means a few things:

- If you need to bring a child or other dependent to class for whatever reason, they are more than welcome!
- If material discussed in class is triggering or may be triggering, feel free to leave at any time and/or talk to me about making other arrangements.
- If at any point you’re struggling for any reason, I urge you to reach out to the teaching team or available services including Be Well Cal (<https://uhs.berkeley.edu/bewell>) and Counseling services (<https://uhs.berkeley.edu/counseling>). Please note that I am not allowed to keep reports of sexual harassment or sexual violence confidential, but if you need confidential resources, they are available to you through the CARE Advocate Office (<http://sa.berkeley.edu/dean/confidential-care-advocate>).

### **Problem Sets and Midterms**

All problem sets and midterms will be due at 11pm Pacific Time (because I always get confused between 12am and 12pm☺).

As with last semester, you can turn in the problem sets in person or online.

Assuming we are in person by then the Midterms will all take place during the Friday Section meeting time (starting at 9:00am). The midterms are all 2 hours in length, but you will have the full 3 hours to work on it. Otherwise we will make an alternative plan for midterms at home.

### **How to communicate with us?**

**Please use email as the primary communication with Professor Hoynes, the GSIs and Tutor!**

We will continue to have the Slack channel for communication. This is mainly for student to student communication, but the GSIs will try to monitor it to answer questions. However, please no DMs there, we all prefer email.

## COURSE SYLLABUS

**1. Theory of the Firm – Production**

January 18 Perloff Ch 6

January 20 Perloff Ch 6

“Economists Pin More Blame on Tech for Rising Inequality”, New York Times, 1/11/22.

[POLICY] Korinek, “[Labor in the Age of Automation and AI](#),” Economists for Inclusive Prosperity

[ACADEMIC] Acemoglu and Restrepo (2019) “Automation and New Tasks: How Technology Displaces and Reinstates Labor”, Journal of Economic Perspectives, 33:2, Pages 3–30.

**2. Theory of the Firm – Costs**

January 25 Perloff Ch 7

**3. Theory of the Firm – Profit Maximization, Competitive Outcome**

January 27 Perloff Ch 8

[POLICY] Class discussion around original [Milton Friedman](#) essay and [recent reactions](#)

**4. Welfare Analysis**

February 1 Perloff Ch 9.1-9.5

February 3 Application of Welfare Analysis I – Rent Control

[POLICY] Pastor, Manuel, Vanessa Carter and Maya Abood (2018) “Rent Matters: What are the Impacts of Rent Stabilization Measures?” USC

[POLICY] Diamond, Rebecca (2018), “[What Does Economic Evidence Tell Us About the Effects of Rent Control?](#),” The Brookings Institution, Washington, D.C.

[ACADEMIC] Rebecca Diamond, Tim McQuade, and Franklin Qian (2019) “The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco”, American Economic Review 109(9): 3365–3394.

**[Problem set #1 due today 11pm pacific]**

February 8 Perloff Ch 9.6

Application of Welfare Analysis II: Trade and Tariffs

[POLICY] Rodrik “[Towards a More Inclusive Globalization](#)” Economists for Inclusive Prosperity, 2018.

[POLICY] Autor, “[International Trade and U.S. Worker Welfare](#),” Washington Center for Equitable Growth, 2016

[ACADEMIC] Amiti, Mary, Stephen J. Redding, and David E. Weinstein (2019) “The Impact of the 2018 Tariffs on Prices and Welfare” Journal of Economic Perspectives, 33:4, Pages 187–210.

**5. Equity and Efficiency**

Feb 10 Perloff Ch 10.5

Feb 15 REVIEW FOR MIDTERM 1

**[Problem set #2 due today, 11pm pacific]**

## 6. Noncompetitive Settings – Monopoly, Price Discrimination

Feb 17 Perloff Ch 11.1-11.2, 11.4-11.5

### FEBRUARY 18 – MIDTERM 1 – COVERS UNITS 1 - 5

Feb 22 Perloff Ch 11.1-11.2, 11.4-11.5 (cont.) Monopolies  
Perloff Ch 12.1-12.2 Price Discrimination

Feb 24 NO CLASS (PROFESSOR HOYNES OUT OF TOWN)

Mar 1 Applications: Texas 2021 Electricity Crisis  
[POLICY] Lucas Davis (UCB) [Blog](#), Paul Krugman NYT [oped](#) “Why Deregulation Failed,”  
Jesse Jenkins NYT [oped](#)  
[POLICY] Morton “[Reforming U.S. antitrust enforcement and competitive policy](#),” Washington  
Center for Equitable Growth, 2020.

## 7. Factor Markets (Labor Demand)

March 3 Perloff Ch 15.1  
Economics of the Minimum Wage  
[POLICY] TBD  
[ACADEMIC] TBD  
**[Problem set #3 due today 11pm pacific]**

## 8. Noncompetitive Markets – Monopsony

March 8 Perloff 11.7 and application to minimum wages

March 10 Application: Monopsony in Labor Markets  
[POLICY] Azar, Marinescu, Steinbaum “[Antitrust and Market Power](#),” Economists for Inclusive  
Growth, 2019  
[POLICY] Caldwell and Naidu “[Wage and employment implications of U.S. labor market  
monopsony and possible policy solutions](#),” Washington Center for Equitable Growth, 2020.  
[ACADEMIC] Azar, Marinescu and Steinbaum “Labor Market Concentration,” Journal of Human  
Resources, 2021.

## 9. Applications of Factor Markets and Noncompetitive Factor Markets

March 15 Applications of Factor Demand: Minimum Wages  
[POLICY] Dube, “[Rebuilding U.S. Labor Market Wage Standards](#),” Washington Center for Equitable  
Growth, 2020.  
[POLICY] Derenoncourt and Montialoux, “[To Reduce Racial Inequality, Raise the Minimum Wage](#),”  
New York Times, 10/25/20  
[ACADEMIC] Derenoncourt and Montialoux, “Minimum Wages and Racial Inequality,” Quarterly  
Journal of Economics, 2021.

March 17 REVIEW FOR MIDTERM 2  
**[Problem set #4 due today at 11pm pacific]**

### MARCH 18 – MIDTERM 2 – COVERS UNITS 6-9

**SPRING BREAK MARCH 21-25****10. Externalities**

March 29 Perloff Ch 17.1-17.5

March 31 Perloff Ch 17.1-17.5

April 5 Applications of Externalities: Climate Change  
 [POLICY] Resources for the Future, [Climate Changes Policies in Build Back Better](#)  
 [POLICY] Repeat Energy Policy Evaluation and Analysis Toolkit, [The Climate Impact of Infrastructure and BBB](#)  
 [POLICY] Klenert and Mattauch, “[Carbon Pricing for Inclusive Prosperity](#),” Economists for Inclusive Prosperity, 2019.  
 [POLICY] Heutel, “[In Defense of Alternatives to Pollution Pricing](#),” Economists for Inclusive Prosperity, 2020.

**11. Public Goods**

April 7 Perloff 17.6 and Gruber Ch 7

April 12 Policy Solutions for public goods  
 Application of Public Goods: Flint Water Crisis, Groundwater in California  
 [POLICY] [Planet Money](#), California sinking ground  
 [ACADEMIC]  
**[Problem set #5 due today 11pm Pacific]**

**12. Asymmetric Information: Adverse Selection**

April 14 Perloff 18.1-18.3  
 Application of Adverse Selection: Health Insurance  
 [POLICY] Kuziemko, “[Thoughts on Medicare for All](#),” Economists for Inclusive Prosperity, 2019.  
 [ACADEMIC] Geruso Layton (2017) “Selection in Health Insurance Markets and Its Policy Remedies”, Journal of Economic Perspectives, 31:4, Pages 23–50.

**13. Asymmetric Information: Moral Hazard**

April 19 Gruber 12.5, 15.2  
 Application: Expanding public health insurance

**14. Application: Social Insurance Balancing Protection and Distortion**

April 21 Application: Unemployment Insurance  
 Application: Child Tax Credit  
 [POLICY] [Freakonomics](#), Child Poverty and Child Tax Credit  
 [ACADEMIC]

April 26 REVIEW FOR MIDTERM 3  
**[Problem set #6 due today 11pm pacific]**

**APRIL 28 – MIDTERM 3 (regular class time) – COVERS UNITS 10-14**