

Econ 351 – Microeconomics for Business

Syllabus – Fall 2014 – Tues/Thurs

Lecture locations/times: THH212 2:00-3:50pm (26310R)

THH212 4:00-5:50pm (26375R)

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Office: HOH 615

Office Phone: 213-740-7804

Office Hours: Tues/Thurs 10:30am-11:30am

E-mail:



Course Description

The main goal of this course is to show how microeconomic models can be used to guide business decisions. We will study the behavior of consumers and firms, and their implications for demand, supply and market equilibrium. We will analyze competitive markets, market failures, and the role of government. The course also introduces basic principles of game theory and competitive strategy.

More generally, this course provides a rigorous foundation for the study of decision making problems. The student who successfully completes this course should be able to apply microeconomic analysis to issues of real world interest both within and beyond the area of business.

Learning Objectives

Upon completion of this course you will be able to:

1. Apply graphical and algebraic analytical techniques to the analysis of resource allocation through an understanding of economic theories and models.
2. Apply the basic demand-supply market model to goods markets and factor markets by identifying and analyzing the values of equilibrium prices and quantities as determined by market forces.
3. Differentiate and apply different aspects of neoclassical economic theory by examining the dynamics of consumer, firm, and market forces and calculating their impacts.
4. Apply the model of behavior in risky circumstances by calculating expected utility, expected income, and certainty equivalents.
5. Explain the role of game theory in economic models through game-theoretic representations.
6. Explore market power by examining the impact of monopoly, monopsony, and oligopoly on resource allocation.
7. Apply the concept of comparative advantage through the calculation of gains from exchange, given two countries' (or individuals') production possibilities frontiers.
8. Analyze the impact of various forms of government intervention in markets by calculating the changes in consumer and producer surplus, and deadweight loss.
9. Analyze the impact of asymmetric information on market efficiency by explaining examples of adverse selection, moral hazard, and principal-agent problems.

10. Understand public goods, positive and negative externalities, and how externalities relate to potential market failure.

Refer to the table at the end of the syllabus for a detailed description of how the above objectives align with The Marshall School of Business' program goals.

Required Materials

The required textbook for our class is Microeconomics for Business (Third Custom Edition for USC). This book was custom made for our class. It contains 15 chapters from the book Microeconomics by Pindyck and Rubinfeld, 8th edition, and 3 chapters from the book Microeconomics by Hubbard and O'Brien, 5th edition. Some books come with a complimentary subscription to MyEconLab. However, I will only use the textbook; the Study Guide and MyEconLab will not be used in our class.

This is an expensive book, so some students may prefer to look for a used textbook. There are only minor differences in Chapters 1-3 (including the exercises) between the Third Custom Edition for USC and the Second Edition. Obviously, the major difference between our custom book and the book Microeconomics by Pindyck and Rubinfeld (7th and 8th editions) is the addition of three chapters from Hubbard and O'Brien, and the exclusion of chapters that we will not cover in our class.

Prerequisites and/or Recommended Preparation:

Although our focus will be on the intuition behind the microeconomic models and their real world consequences, the use of mathematics (in particular, algebra and calculus) will be fundamental to analyzing and understanding such models. For example, you may be asked to draw and interpret graphs representing demand and supply, to solve a system of equations describing a competitive market, or to compute the derivative of a profit function. MATH 118 is a prerequisite for ECON 351x. Therefore, I expect students to have a good understanding of the material covered in that class.

Course Notes:

Additional required material (slides, past exams, etc.) will be available on Blackboard (<http://blackboard.usc.edu>) as pdf documents. They will not be handed out in class. You are responsible for timely download of the material. During the semester I will upload pdf files with practice questions, and I will call them "homework". The homework will not be graded/you will not receive credit, but I will provide the answer key. Although the homework will not be graded, these practice questions are a very important part of our class – students who carefully study the homework obtain significantly better grades on the exams.

It is always beneficial to do the required reading before class (see the Course Calendar/Readings section). Also, the slides posted on Blackboard are not a complete record of what I say in class, so attending lectures, taking notes, and asking questions will be required to successfully complete the course.

Students are strongly encouraged to ask questions during class and during office hours. Most times it is not feasible to give a comprehensive answer to questions sent to me by e-mail. If you send me a question by e-mail and I believe that it is not feasible to give a satisfactory answer to that question by e-mail, I will ask you to come to my office hours.

Grading Policies:

Grades will be assigned according to the following weights:

Quizzes (3 out of 4)	30%
Midterm	30%
Final Exam	40%

There will be 4 quizzes. Your lowest quiz grade will be ignored, so that each remaining quiz corresponds to 10% of your final grade.

Tentative Exam Dates:

Quizzes	(1) Tuesday Sept.16, (2) Tuesday Oct.14, (3) Tuesday Nov.11, (4) Tuesday Dec.2
Midterm	Tuesday, Oct.21
Section	Final Exam
26310R	Thursday, Dec/11, 2:00pm to 4:00pm
26375R	Thursday, Dec/11, 4:30pm to 6:30pm

In **rare** occasions, the dates of the exams might need to be changed. In that case, I will notify students through Blackboard as soon as possible.

University policy requires the final exam to be given at the time indicated by the University's final exam schedule. Instructors do not have discretion to grant exceptions to this policy. No student is allowed to take the final exam earlier or to skip the final exam.

There will be no make-up tests. By enrolling in the course you are committing to take the tests on the scheduled dates. If a quiz is missed, it receives an automatic zero. If the **midterm** is missed for an approved reason, the weight of quizzes and final exam are increased to compensate for the missed midterm. Approval for a missed midterm will be **rare**, and only with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the midterm. Normally, only a doctor's certification of a severe medical problem will suffice.

Each quiz will address the subject matter that precedes it. The midterm covers the first part of the course. The final exam is cumulative.

Regrades must be requested within one week of the day the exam was returned to the class. The student must submit a written and precise explanation of why he/she thinks the grade should be modified. The entire exam will be regraded and the final mark may go up or down.

ASSIGNMENTS AND GRADING DETAIL

<u>Assignments</u> (example)	<u>Points</u>	<u>% of Grade</u>
TESTS		
Quizzes	25 (each) best 3 out of 4	30.00%
Mid-Term	75	30.00%
Final Exam	100	40.00%
	250	100.0%
TOTAL		

I will obtain your semester score by dividing the total of 250 points from the quizzes, midterm, and final by 2.5 (maximum 100). If your Semester Score is between zero and 49 (inclusive), you will receive a failing grade (F). A score between 50 and 59 (inclusive) receives a D-, D or D+. This rule

will be strictly enforced, and I will not assign any kind of extra credit activities (papers, homework, etc.).

Letter grade C- starts at 60. B and A grades represent how you perform in the class relative to other students. Your grade will not be based on a mandated target, but on your performance. Historically, the average grade for this class is about a (B). Three items are considered when assigning final grades:

1. Your average weighted score as a percentage of the available points (the points you receive divided by the number of points possible).
2. The overall average percentage score within the class.
3. Your ranking among all students in the class.

MARSHALL GUIDELINES

Add/Drop Process

If you are absent six or more times prior to **Nov. 14** (the last day to withdraw from a course with a grade of “W”), I may ask you to withdraw from the class by that date. These policies maintain professionalism and ensure a system that is fair to all students.

Retention of Graded Coursework

Final exams and all other graded work which affected the course grade will be retained for one year after the end of the course *if* the graded work has not been returned to the student (i.e., if I returned a graded paper to you, it is your responsibility to file it, not mine).

Technology Policy

Laptop and Internet usage is not permitted during lectures. Use of other personal communication devices, such as cell phones, is considered unprofessional and is also not permitted. ANY e-devices (cell phones, PDAs, I-Phones, Blackberries, other texting devices, laptops, I-pods) must be completely turned off during class time. Upon request, you must comply and put your device on the table in off mode and FACE DOWN. You might also be asked to deposit your devices in a designated area in the classroom. Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted but please ask for my permission. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit www.usc.edu/disability .

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one’s own academic work from misuse by others as well as to avoid using another’s work as one’s own. All students are expected to understand and abide by these principles. *SCampus*, the

Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/> . Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

Please activate your course in Blackboard with access to the course syllabus. Whether or not you use Blackboard regularly, these preparations will be crucial in an emergency. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

Course Calendar/Readings

	Topics/ Daily Activities	Readings and Homework	Deliverables and Due Dates	Course Learning Objectives
Week 1 Aug.26,28	Economics: Foundations and Models Consumer Behavior	Chapter 1 Chapter 5		1
Week 2 Sep.2,4	Individual and Market Demand	Chapter 6		2
Week 3 Sep.9,11	Elasticities of Supply and Demand Uncertainty and Consumer Behavior	Section 4.4 Chapter 7		3,4
Week 4 Sep.16,18	** QUIZ 1 Production	Quiz 1 covers Chapters 5 to 7, and Section 4.4 Chapter 8		2
Week 5 Sep.23,25	The Cost of Production Profit Maximization and Competitive Supply	Chapter 9 Chapter 10		2,3
Week 6 Sep.30, Oct.2	The Basics of Supply and Demand The Analysis of Competitive Markets	Chapter 4 Chapter 11		2,8
Week 7 Oct.7,9	Trade-offs, Comparative Advantage, and Market System	Chapter 2		7
Week 8 Oct.14,16	** QUIZ 2 Market Power: Monopoly and Monopsony	Quiz 2 covers Chapters 8 to 11, 2 and 4 Chapter 12		6

Week 9 Oct.21,23	** MIDTERM Pricing with Market Power	Midterm covers Chapters 4 to 11, and 2 Chapter 13		6
Week 10 Oct.28,30	Monopolistic Competition and Oligopoly	Chapter 14		6
Week 11 Nov.4,6	Game Theory and Competitive Strategy	Chapter 15		5
Week 12 Nov.11,13	** QUIZ 3 Game Theory and Competitive Strategy	Quiz 3 covers Chapters 12 to 14 Finish Chapter 15		5
Week 13 Nov.18,20	Markets with Asymmetric Information	Chapter 17		9
Week 14 Nov.25	Externalities and Public Goods No class Nov.27	Chapter 18		10
Week 15 Dec.2,4	** QUIZ 4 Review for the Final Exam	Quiz 4 covers Chapters 15, 17, 18		
FINAL Date	** FINAL EXAM	Cumulative, all Chapters		

Please note: The date/time of the Final Exam is determined by the University. For the date and time of the final for this class, consult the USC *Schedule of Classes* at www.usc.edu/soc. Select the corresponding semester to view and click on the “Final Examinations Schedule” link on the left side of the screen.

Marshall Undergraduate Program Goals			
Goal	Program Learning Goal Description (and specific selected sub-goals)	Emphasis/ Relation to Course Objectives	Relevant Course Topics
1	<p>Our graduates will understand types of markets and key business areas and their interaction <i>to effectively manage different types of enterprises</i>.</p> <p>Specifically, students will:</p> <p>1.1 Demonstrate foundational knowledge of core business disciplines, including business analytics and business economics</p> <p>1.2 Understand the interrelationships between functional areas of business so as to develop a general perspective on business management</p> <p>1.3 Apply theories, models, and frameworks to analyze relevant markets (e.g. product, capital, commodity, factor and labor markets)</p> <p>1.4 Show the ability to utilize technologies (e.g., spreadsheets, databases, software) relevant to contemporary business practices</p>	High (Course learning objectives 1 to 10)	All
2	<p>Our graduates will develop a global business perspective. They will understand how local, regional, and international markets, and economic, social and cultural issues impact business decisions <i>so as to anticipate new opportunities in any marketplace</i>.</p> <p>Specifically, students will:</p> <p>2.1 Understand how local, regional and global markets interact and are impacted by economic, social and cultural factors.</p> <p>2.2 Understand that stakeholders, stakeholder interests, business environments (legal, regulatory, competitor) and business practices vary across regions of the world.</p>	Moderate (Course learning objectives 1 to 3, 6 to 8, and 10)	Trade-offs, Comparative Advantage, and Market System
3	<p>Our graduates will demonstrate critical thinking skills <i>so as to become future-oriented decision makers, problem solvers and innovators</i>.</p> <p>Specifically, students will:</p> <p>3.2 Critically analyze concepts, theories and processes by stating them in their own words, understanding key components, identifying assumptions, indicating how they are similar to and different from others and translating them to the real world</p> <p>3.3 Be effective at gathering, storing, and using qualitative and quantitative data and at using analytical tools and frameworks to understand and solve business problems</p> <p>3.4 Demonstrate the ability to anticipate, identify and solve business problems. They will be able to identify and assess central problems, identify and evaluate potential solutions, and translate a chosen solution to an</p>	High (Course learning objectives 1 to 10)	All
Goals Not Explicitly Covered In This Course			
4	<p>Our graduates will develop people and leadership skills to promote their effectiveness as <i>business managers and leaders</i>.</p> <p>Specifically, students will:</p> <p>4.1 Recognize, understand, and analyze the motivations and behaviors of stakeholders inside and outside organizations (e.g., teams, departments, consumers, investors, auditors).</p> <p>4.2 Recognize, understand and analyze the roles, responsibilities and behaviors of effective managers and leaders in diverse business contexts e.g., marketing, finance accounting.</p> <p>4.3 Understand factors that contribute to effective teamwork.</p>		

Marshall Undergraduate Program Goals			
Goal	Program Learning Goal Description (and specific selected sub-goals)	Emphasis/ Relation to Course Objectives	Relevant Course Topics
5	<p>Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities <i>and aspire to add value to society.</i></p> <p><i>Specifically, students will:</i></p> <p>5.1 Understand professional codes of conduct</p> <p>5.2 Recognize ethical challenges in business situations and assess appropriate courses of action</p>		
6	<p>Our graduates will be effective communicators <i>to facilitate information flow in organizational, social, and intercultural contexts.</i></p> <p><i>Specifically, students will:</i></p> <p>6.1 Identify and assess diverse personal and organizational communication goals and audience information needs.</p> <p>6.2 Understand individual and group communications patterns and dynamics in organizations and other professional contexts.</p> <p>6.3 Demonstrate an ability to gather and disseminate information and communicate it clearly, logically, and persuasively in professional contexts.</p>		