

Econ 351 – Microeconomics for Business

Syllabus – Fall 2015

Lecture locations/times:

HOH303 Tues/Thurs 10:00-11:50am (26349R)

THH212 Tues/Thurs 2:00-3:50pm (26310R)

THH212 Tues/Thurs 4:00-5:50pm (26007R)

MHPB7B Mon/Wed 10:00-11:50am (26348R)

THH210 Mon/Wed 12:00-1:50pm (26378R)

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Course Description

The main goals of this course are to show how microeconomic models can be used to guide business decisions and to prepare you for other business courses. 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. Analyze the impact of various forms of government intervention in markets by calculating the changes in consumer and producer surplus, and deadweight loss.
8. Analyze the impact of asymmetric information on market efficiency through the examples of adverse selection, moral hazard, and financial markets.
9. Explore the causes and effects of wage inequality.

10. Explore advanced ideas in business strategy and behavioral economics.

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, we 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. Also, 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. Any of these alternatives should suffice.

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) is 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, we 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 we will upload pdf files with practice questions, and we will call them "homework". The homework will not be graded and you will not receive credit, but we 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. We will also post 'practice' exams before each exam that have questions very similar to the actual exams. For these, we will provide answers, but not detailed solutions.

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 we discuss in class, so attending lectures, taking notes, and asking questions will be required to successfully complete the course.

We will attempt to divide each class into a 20-30 minute discussion period in which we will introduce a topic by playing a game or talking about a current event. Following this, we will lecture for 45-60min, and then spend the remainder of class time having students solve problems about previous lecture material in small groups. **You can expect to be called upon** to come to the board to present your group's solution.

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 via e-mail. If you send a question by e-mail and we believe that it is not feasible to give a satisfactory answer to that question by e-mail, we will ask you to come to our office hours.

In addition, we will try to use the Blackboard forum to allow students to post questions. Any question that it is feasible to answer online will be answered by either one of ourselves or the TA.

Teaching Assistant:

We are fortunate to have Pengyu Chen as our teaching assistant for the course. He will hold office hours in addition to hours, and will also answer questions on the Blackboard forum. Information on his contact information and office hours will be provided on the first day of class.

Grading Policies:

Grades will be assigned according to the following weights:

Quizzes (2)	15% each
Midterm	35%
Final Exam	35%

There will be 2 quizzes.

Tentative Exam Dates:

Quizzes	(1) Sept.21/22, (2) Nov.4/5
Midterm	Oct.12/13
Section	Final Exam
26007R	Thursday, Dec/10, 4:30pm to 6:30pm
26310R	Thursday, Dec/10, 2:00pm to 4:00pm
26348R	Monday, Dec/14, 8:00am to 10:00am
26349R	Thursday, Dec/10, 11:00am to 1:00pm
26378R	Friday, Dec/11, 11:00am to 1:00pm

In **rare** occasions, the dates of the exams might need to be changed. In that case, we 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. Please verify the final exam date on the university website: <http://classes.usc.edu/term-20153/finals/>.

There will be no make-up tests. By enrolling in the course you are committing to take the exams (quizzes and midterm) on the scheduled dates. If either a quiz or the **midterm** is missed for an approved reason, the weight of all other components will be increased proportionately to compensate for the missed exam. Approval for a missed exam will be **rare**, and only with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the exam. 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 **not** cumulative in the sense that you will not be asked questions on the final directly pertaining to the topics from the first half of the course. **However**, the second half of

the course builds upon the first half so there will be concepts and technical skills from the first half that you must understand to be able to complete the final exam.

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.

We will **not**, under any circumstances, provide work for extra credit. The only way to obtain course credit is through the exams. Allowing some students to do extra credit is unfair to the other students, and we will not do so.

Letter grades represent how you perform in the class at an absolute level and 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 on the exams (as specified previously).
2. The overall average weighted score within the class.
3. Your ranking among all students in the class.

In the past, students with grades below 60% received either a D or an F (below 50%) in the course. Students with grades between 60% and 70% received a C, 70% and 80% a B, and above 80% an A. However, we emphasize again that these are only **rough guidelines** – grades will be determined as specified above.

MARSHALL GUIDELINES

Add/Drop Process

If you are absent six or more times prior to **Nov.13** (the last day to withdraw from a course with a grade of “W”), we 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 we returned a graded exam to you, it is your responsibility to file it, not ours).

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 us 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 Conduct and Support Systems

Academic Conduct

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems

A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* http://sait.usc.edu/academic-support/center-programs/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu/> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

Emergency Preparedness/Course Continuity

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
Week 1 Aug.24	Math Review	
Week 2 Aug.31	Basics of Supply and Demand Consumer Behavior	Chapter 1,4 Chapter 5
Week 3 Sep.7	NO CLASS (Sep.7/8) Elasticities, Individual and Market Demand	Chapter 6
Week 4 Sep.14	Expected Utility, Prospect Theory Signaling, Insurance	Chapter 7 Chapter 17
Week 5 Sep.21	** QUIZ 1 Moral Hazard, Asymmetric Information in Financial Markets	Quiz 1 covers Ch.1,4-7
Week 6 Sep.28	Game Theory Basics Sequential and Repeated Games	Chapter 15
Week 7 Oct.5	Advanced Topics : Behavioral Economics Midterm Review	Extra readings
Week 8 Oct.12	** MIDTERM Labor Supply	Midterm covers Chapters 1,4- 7,15,17 and Extra Readings

		Chapter 8
Week 9 Oct.19	Production Functions	Chapter 9
	Profit Maximization	Chapter 10
Week 10 Oct.26	Welfare Analysis	Chapter 11
	Price Intervention	
Week 11 Nov.2	Advanced Topics: Wage Inequality ** QUIZ 2	Extra readings Quiz 2 covers Chapters 8-10
Week 12 Nov.9	Monopoly	Chapter 12
	Price Discrimination	Chapter 13
Week 13 Nov.16	Oligopoly	Chapter 14
	Product Differentiation	Extra Readings
Week 14 Nov.23	Predation and Collusion	Chapters 14 and 15
	NO CLASS (Nov.25/26)	
Week 15 Nov.30	Advanced Topics: Market Design	Chapter 15
	Final Review	Extra Readings
FINAL	** FINAL EXAM	Final covers Chapters 8- 10,12-15 and Extra Readings

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, 7, and 9)	Trade-offs, 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>		