

**Syllabus – Spring 2016**

**Professor:** Odilon Câmara  
**Office:** HOH-823 (Hoffman Hall)  
**Office Hours:** Wednesdays, 9:30am to 11:30am  
**E-mail:** ocamara@marshall.usc.edu

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**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 to 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.

**Course Learning Objectives**

Upon completion of this course you will be able to:

1. Apply graphical and algebraic analytical technics 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 by representing various game-theoretic interactions.
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 interference in markets by calculating the changes in consumer and producer surplus, and deadweight loss.
8. Analyze the impact of asymmetric information on market efficiency by explaining examples of adverse selection, moral hazard, and the principal-agent problem.

**Alignment with Marshall School of Business Program Learning Goals**

**Learning Goals:** In this class, emphasis will be placed on the USC Marshall School of Business learning goals as follows:

Goal	Description	Course Emphasis
1	Our graduates will understand types of markets and key business areas and their interaction <i>to effectively manage different types of enterprises</i>	High
2	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>	Moderate
3	Our graduates will demonstrate critical thinking skills <i>so as to become future-oriented decision makers, problem solvers and innovators</i>	High
4	Our graduates will develop people and leadership skills to promote their effectiveness as <i>business managers and leaders</i> .	Low
5	Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities and aspire to add value to society	Low
6	Our graduates will be effective communicators <i>to facilitate information flow in organizational, social, and intercultural contexts</i> .	Low

### **Required Materials, Course Notes, and Recommended Preparation**

My experience is that some students strongly benefit from reading the textbook, but some students find it unnecessary. Therefore, the textbook is recommended, but not required. The recommended 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, 8<sup>th</sup> edition, and 3 chapters from the book Microeconomics by Hubbard and O'Brien, 5<sup>th</sup> 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. It is fine to buy the First or Second Custom Edition for USC. It is also Ok to buy the book Microeconomics by Pindyck and Rubinfeld (7<sup>th</sup> and 8<sup>th</sup> editions). Obviously, the major difference between our custom book and the original Microeconomics by Pindyck and Rubinfeld (7<sup>th</sup> and 8<sup>th</sup> 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.

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 last page of this syllabus). 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.

### Prerequisites

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 analyze and understand 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.

### Grading Policies:

Grades will be assigned according to the following weights:

Quizzes (3 out of 4)	36%
Midterm	31%
Final Exam	33%

There will be 4 quizzes. Your lowest quiz grade will be ignored, so that each remaining quiz corresponds to 12% of your final grade.

I do not assign letter grades to individual exams. For each exam, you will receive a score from zero to 100 points. At the end of the semester, I will compute your weighted average semester score (also from zero to 100 points) as follows:

$$\text{Semester Score} = 0.12 * \text{Best Quiz} + 0.12 * \text{Second Best Quiz} + 0.12 * \text{Third best quiz} \\ + 0.31 * \text{Midterm} + 0.33 * \text{Final Exam}.$$

If your Semester Score is between zero and 49 points (inclusive), you will receive a failing grade (F). A score between 50 and 59 points (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 points. Bs and As will be assigned according to the overall class performance. There will be no “curve” or hard target for the distribution of grades. Your grade will reflect my best judgment of your class performance, as indicated by your performance on the exams. However, I will attempt to follow the School’s recommended **mean** GPA target: 3.0 (B).

### Tentative Exam Dates:

Quizzes	(1) Tuesday Feb/02, (2) Tuesday Mar/01, (3) Tuesday Apr/05, (4) Tuesday Apr/26
Midterm	Tuesday, Mar/08
Final Exam Schedule ( <a href="http://classes.usc.edu/term-20161/finals/">http://classes.usc.edu/term-20161/finals/</a> )	
Section	Final Exam
Regular class starting at 10am T-Th	Tuesday, May/10, 11:00am to 1:00pm
Regular class starting at 12pm T-Th	Wednesday, May/11, 2:00pm to 4:00pm
Regular class starting at 2pm T-Th	Thursday, May/5, 2:00pm to 4:00pm

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.

Returned paperwork, unclaimed by a student, will be discarded after 4 weeks and hence, will not be available should a grade appeal be pursued by a student following receipt of his/her course grade.

## MARSHALL GUIDELINES

### **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](http://www.usc.edu/disability).

Students requesting test-related accommodations will need to share and discuss their DSP recommended accommodation letter/s with their faculty *at least three weeks before* the date the accommodations will be needed. Additional time may be needed for final exams. Please note that a reasonable period of time is still required for DSP to review documentation and to make a determination whether a requested accommodation will be appropriate.

### **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 of the 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 <https://sarc.usc.edu/reporting-options/> describes reporting options and other resources.

### **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](http://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.

### **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/academicsupport/centerprograms/dsp/home\\_index.html](http://sait.usc.edu/academicsupport/centerprograms/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.

### **Marshall Tutoring Program:**

The Marshall Office of Undergraduate Advising offers Peer Tutoring as a supplement to classroom instruction. Marshall Peer Tutors are able to assist students in understanding and clarifying difficult concepts, but tutoring sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course content.

Marshall Peer Tutoring services are available for core courses that are traditionally challenging, including ECON 351x. Students can choose to participate in group tutoring sessions or drop-in tutoring sessions. Most students will benefit from group tutoring in particular, as the purpose of group tutoring sessions is to review and discuss content covered in the previous and current week.

For more information please go to <http://students.marshall.usc.edu/undergrad/marshall-peer-tutoring-program/>.

### **Other Policies**

Please turn off your cellular phones before entering the classroom. They may not be used during classes. Since your phone should be turned off, texting during class is not only disrespectful, but it is also a serious violation of class policy.

It is your responsibility to regularly access Blackboard (<http://blackboard.usc.edu>) to receive any additional material and important announcements related to this class.

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.

### **COURSE CALENDAR/READINGS/CLASS SESSIONS**

This is our tentative schedule. When necessary, changes will be announced on Blackboard.

	<b>Activities and Reading Material</b> <b>Book:</b> Microeconomics for Business (3 <sup>rd</sup> Edition)
<b>Week 1</b> Jan/12,14	Chapter 1. Economics: Foundations and Models Chapter 5. Consumer Behavior
<b>Week 2</b> Jan/19,21	Chapter 6. Individual and Market Demand
<b>Week 3</b> Jan/26,28	Section 4.4 Elasticities of Supply and Demand Chapter 7. Uncertainty and Consumer Behavior
<b>Week 4</b> Feb/02,04	** QUIZ 1 (Chapters 5 to 7, and Section 4.4) Chapter 8. Production
<b>Week 5</b> Feb/9,11	Chapter 9. The Cost of Production Chapter 10. Profit Maximization and Competitive Supply
<b>Week 6</b> Feb/16,18	Chapter 4. The Basics of Supply and Demand Chapter 11. The Analysis of Competitive Markets
<b>Week 7</b> Feb/23,25	Chapter 2. Trade-offs, Comparative Advantage, and Market System
<b>Week 8</b> Mar/01,03	** QUIZ 2 (Chapters 8 to 11, 2 and 4) Chapter 12. Market Power: Monopoly and Monopsony
<b>Week 9</b> Mar/08,10	** MIDTERM (Chapters 4 to 11, and 2) Chapter 13. Pricing with Market Power
Mar/15,17	Spring Break
<b>Week 10</b> Mar/22,24	Chapter 14. Monopolistic Competition and Oligopoly
<b>Week 11</b> Mar/29,31	Chapter 15. Game Theory and Competitive Strategy
<b>Week 12</b> Apr/05,07	** QUIZ 3 (Chapters 12 to 14) (Finish Chapter 15)
<b>Week 13</b> Apr/12,14	Chapter 17. Markets with Asymmetric Information
<b>Week 14</b> Apr/19,21	Chapter 18. Externalities and Public Goods
<b>Week 15</b> Apr/26,28	** QUIZ 4 (Chapters 15, 17, 18) Review for the Final Exam
<b>FINAL</b>	** FINAL EXAM (Cumulative, all Chapters)