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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.

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 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.

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
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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

The required textbook for this 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 this 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 (7th and 8th editions). Obviously, the major difference between our custom book and the original 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 this 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 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.

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

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. To underscore the importance of completing the practice homework, note that 1 question in the midterm and 1 question on the final will be taken from the homework. I will also post “practice” exams before each exam. The questions will be similar to the actual exams and I will provide answers, but not detailed solutions.

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

Periodically, class time will be devoted to students solving problems about lecture material from that day or previous classes either individually or in groups. **You can expect to be called upon** to discuss your group’s solution and/or 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 via e-mail. If you send 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 or the TA’s office hours. **Please check the syllabus before emailing a question that might be answered on the syllabus.**

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

Student Assistant

I will hire a student teaching assistant for this course. The student assistant will hold additional office hours. More information will be provided in the first week of classes.

Grading Policies

Grades will be assigned according to the following weights:

<u>Assignments</u>	<u>% of Grade</u>
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:

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

I will **not**, under any circumstances, provide work for extra credit because it is unfair to the other students. The only way to obtain course credit is through the exams.

Letter grades represent how you perform in the class at an absolute level and relative to other students. 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).

Three items are considered when assigning final grades:

1. Your Semester Score (as specified above)
2. The overall average Semester Score within the class.
3. Your ranking among all students in the class.

In the past, a Semester Score between zero and 49 points (inclusive) received a failing grade (F). A score between 50 and 59 points (inclusive) received a D. Semester Scores above 59 points received A’s, B’s or C’s. However, this is only a rough guideline – grades will be determined as specified above.

Tentative Exam Dates:

Quizzes	(1) Thursday Sept/14, (2) Tuesday Oct/10, (3) Tuesday Nov/07, (4) Tuesday Nov/28
Midterm	Tuesday, Oct/17
Final Exam Schedule	You are responsible for checking the exam schedule at: http://classes.usc.edu/term-20173/finals/ <i>The schedule can be confusing so double and triple check the date and room!</i>

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. Please find the final exam date on the university website: <http://classes.usc.edu/term-20173/finals/>

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, although more weight will be placed on material from the second half of the course. The quizzes, midterm, and final exam will all be closed book and notes.

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.

ADDITIONAL INFORMATION

Add/Drop Process

If you are absent six or more times prior to **Nov.11** (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.

Technology Policy

Please turn off your cell phones and other personal communication devices 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. Upon request, you must turn off your phone and place it face down on your desk. 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.

Classroom Policies

If your behavior is a disruption to the class, you will first be asked to cease the disruptive behavior. If you do not comply, you will be asked to leave the classroom. If you do not leave when asked, a report to SJACS will be filed. Disruptive behavior may include but is not limited to: violations of the technology policy, laptop use that is not related to the course, repeated tardiness, and engaging in side conversations (except when directed to do so by the professor).

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 exam to you, it is your responsibility to file it).

Academic Integrity and Conduct

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 (plagiarism). 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. All students are expected to understand and abide by the principles discussed in the *SCampus*, the Student Guidebook (www.usc.edu/scampus or <http://scampus.usc.edu>). A discussion of plagiarism appears in the University Student Conduct Code (section 11.00 and 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.

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://dps.usc.edu/contact/report/>. 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. *Relationship and Sexual Violence Prevention and Services* (RSVP) <https://engemannshc.usc.edu/rsvp/> provides 24/7 confidential support, and the sexual assault resource center webpage <https://sarc.usc.edu/reporting-options/> 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* (www.usc.edu/disability) 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.

Students with Disabilities

The Office of Disability Services and Programs (www.usc.edu/disability) provides certification for students with disabilities and helps arrange the relevant accommodations. 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 (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

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/>.

Emergency Preparedness/Course Continuity

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of Blackboard, teleconferencing, and other technologies.

Please make sure you can access this course in Blackboard and retrieve the course syllabus and other course materials electronically. You should check Blackboard regularly for announcements and new materials. In the event of an emergency, the ability to access Blackboard will be crucial. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

COURSE CALENDAR/READINGS/CLASS SESSIONS

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

Session	Topics and Activities	Readings and Homework Book: Microeconomics for Business (3 rd Edition)
Week 1 Aug 22/24	Introduction: Foundations and Models Math Review and the basics of supply and demand	Chapter 1 Chapter 4
Week 2 Aug 29/31	Elasticities of Supply and Demand Consumer Behavior	Chapter 4 Chapter 5
Week 3 Sep 5/7	Individual and Market Demand	Chapter 6
Week 4 Sep 12/14	Uncertainty and Consumer Behavior ** QUIZ 1 (Chapters 4 to 7)	Chapter 7 Quiz 1 covers Chapters 4-7
Week 5 Sep 19/21	Production The Cost of Production	Chapter 8 Chapter 9
Week 6 Sep 26/28	Profit Maximization and Competitive Supply The Analysis of Competitive Markets	Chapter 10 Chapter 11
Week 7 Oct 3/5	Trade-offs, Comparative Advantage, and Market System	Chapter 2
Week 8 Oct 10/12	** QUIZ 2 (Chapters 8 to 11, 2) Market Power: Monopoly and Monopsony	Quiz 2 covers Chapters 8-11, 2 Chapter 12
Week 9 Oct 17/19	** MIDTERM (Chapters 1-2, 4-11) Pricing with Market Power	Midterm covers Chapters 1-2, 4-11 Chapter 13
Week 10 Oct 24/26	Monopolistic Competition and Oligopoly	Chapter 14
Week 11 Oct 31/Nov 2	Game Theory and Competitive Strategy	Chapter 15
Week 12 Nov 7/9	** QUIZ 3 (Chapters 12 to 14) Finish Chapter 15	Quiz 3 covers Chapters 12-14
Week 13 Nov 14/16	Asymmetric Information	Chapter 17
Week 14 Nov 21	Externalities and Public Goods	Chapter 18
Nov 23	THANKSGIVING HOLIDAY	
Week 15 Nov 28/30	** QUIZ 4 (Chapters 15, 17, 18) Review for Final Exam	Quiz 4 will cover Chapters 15, 17-18
FINAL	** FINAL EXAM (Cumulative, all Chapters)	

Optional Readings:

For some lectures, I will post applications from popular press and cutting edge economics research that I use as examples in class. These readings are absolutely not necessary for you to read. They are purely optional, but will be made available for you to explore if you are interested in a given topic and/or application.