

Econ 351 – Microeconomics for Business

Syllabus – Fall 2017

Lecture locations/times:

JFF LL125 Mon/Wed 10:00-11:50pm (26000R)
JFF LL125 Mon/Wed 12:00-1:50pm (26004R)
JFF LL105 Tues/Thurs 10:00-11:50am (26375R)
JFF LL105 Tues/Thurs 12:00-1:50pm (26310R)
HOH 1 Tues/Thurs 4:00-5:50pm (26349R)

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Course Description

The main goals of this course are to demonstrate 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.

Course 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.

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 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, 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 with a style and format 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 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 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 Jeffrey Tan as our teaching assistant for the course. He was an outstanding student in the course last fall. He will hold office hours in addition to ours, and will also answer questions on the Blackboard forum. He can be reached at jeffreyht@usc.edu. Information on his 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.18/19, (2) Nov.1/2
Midterm	Oct.9/10
Final Exam	

You are responsible for checking the exam schedule at:
<https://classes.usc.edu/term-20173/finals/>
The schedule can be confusing so double and triple check the date and room!

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, to take it with a different section, or to skip it. Please find the final exam date on the university website: <https://classes.usc.edu/term-20173/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 half 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 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. 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

This class is open enrollment (R-clearance) through the Add deadline. If there is an open seat, students can add the class using Web Registration. If the class is full, students will need to continue checking the *Schedule of Classes* (classes.usc.edu) to see if a space becomes available. Students who do not attend the first two class sessions (for classes that meet twice per week) or the first class meeting (for classes that meet once per week) may be dropped from the course if they do not notify us prior to their absence.

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. If we returned a graded paper to you, it is your responsibility to file it.

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 our permission. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

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

Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/alj>, 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

Marshall Academic Resources:

The Marshall Office of Undergraduate Advising & Student Affairs offers free weekly Core Review Sessions, along with additional “Cracking the Core” workshops, as a supplement to classroom instruction. Marshall Peer Academic Leaders (PALs) assist students in understanding and clarifying difficult concepts covered in class that week, but core review sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course

content. Marshall Academic Resources are available for core courses that are traditionally challenging in the business major curriculum. For more information, please visit the Marshall Undergrad Advising and Student Affairs website.

Course Calendar/Readings

	Topics/ Daily Activities	Readings and Homework
Week 1 Aug.21	Introduction/ Math Review (I) Competitive Markets	Chapter 1,4
Week 2 Aug.28	Consumer Behavior Basics The Consumer's Problem	Chapter 5 Chapter 5
Week 3 Sep.4	NO CLASS (Sep.4/5) Individual and Market Demand	Chapter 6
Week 4 Sep.11	Expected Utility Asymmetric Information	Chapter 7 Chapter 17
Week 5 Sep.18	** QUIZ 1 Asymmetric Information	Quiz 1 covers Ch.1,4-7 Chapter 17
Week 6 Sep.27	Game Theory Basics Sequential and Repeated Games	Chapter 15
Week 7 Oct.2	Advanced Topics : Behavioral Economics Midterm Review	Extra readings
Week 8 Oct.9	** MIDTERM Introduction/	Midterm covers Chapters 1,4- 7,15,17 and Extra Readings

	Math Review (II)	
Week 9 Oct.16	Individual As a Firm (Labor Supply) Production Functions	Extra Readings Chapters 8, 9
Week 10 Oct.23	Profit Maximization Market Equilibrium	Chapter 10 Chapters 11.1-11.2
Week 11 Oct.30	Government Policy ** QUIZ 2	Chapters 11.3-11.6 Quiz 2 covers Chapters 8-11 and Extra Readings
Week 12 Nov.6	Market Power Capacity Competition	Chapters 12.1-12.2; 13.1-13.4 Chapters 14.2; 15.7
Week 13 Nov.13	Pricing Competition Product Competition	Chapters 14.3-14.6 Extra Readings
Week 14 Nov.20	Industrial Regulation NO CLASS (Nov.22/23)	Chapters 12.4; 12.7
Week 15 Nov.27	Advanced Topics: Market Design Final Review	Chapters 15.8
FINAL Dec.6-13	** FINAL EXAM	Final covers Chapters 8-15 and Extra Readings

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