



ECON 351-Microeconomics for Business, Section 26377R

Fall 2018 MW 8-10am JFF236

Professor: Reza Bavafa, Ph.D.

Office:

Office Hours: M:10-11am, TH 2-3pm

bavafa@marshall.usc.edu

The materials of this course are only for students who are registered to this section. Distributing any of these materials to other people or posting them to the Internet without permission of the instructor is regarded as infringing copyrights and the university policy.

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 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 | Marshall Program Learning Goal | Course Objectives that support this goal |
|------|---|--|
| 1 | <p>Our graduates will demonstrate critical thinking skills so as to become future-oriented decision makers, problem solvers and innovators. Specifically, students will:</p> <p>1.1 Students will understand the concepts of critical thinking, entrepreneurial thinking and creative thinking as drivers of innovative ideas (not explicit for this course).</p> <p>1.2 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>1.3 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>1.4 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 implementation plan that considers future contingencies.</p> | 1-4, 7-8 |
| 2 | <p>Our graduates will develop people and leadership skills to promote their effectiveness as business managers and leaders in the 21st century's evolving work and organizational structures. Specifically, students will:</p> <p>2.1 Students will recognize, understand and analyze the roles, responsibilities and behaviors of effective managers and leaders in diverse business contexts e.g., functionally diverse, culturally diverse, geographically diverse, etc.</p> <p>2.2 Students will understand factors that contribute to effective teamwork including how to elicit, manage and leverage diverse perspectives and competencies.</p> <p>2.3 Students will recognize, understand, and analyze the motivations and behaviors of stakeholders inside and outside organizations (e.g., teams, departments, consumers, investors, auditors)</p> | N/A |
| 3 | <p>Our graduates will be effective communicators to facilitate information flow in organizational, social, and intercultural contexts. Specifically, students will:</p> <p>3.1 Identify and assess diverse personal and organizational communication goals and audience information needs.</p> <p>3.2 Understand individual and group communications patterns and dynamics in organizations and other professional contexts.</p> <p>3.3 Demonstrate an ability to gather and disseminate information and communicate it clearly, logically, and persuasively in professional contexts.</p> | 5 |

| | | |
|---|---|-----|
| 4 | <p>Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities and aspire to add value to society. Specifically, students will:</p> <p>4.1 Understand professional codes of conduct.</p> <p>4.2 Recognize ethical challenges in business situations and assess appropriate courses of action.</p> | N/A |
| 5 | <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 so as to anticipate new opportunities in any marketplace. Specifically, students will:</p> <p>5.1 Understand how local, regional and global markets interact and are impacted by economic, social and cultural factors.</p> <p>5.2 Understand that stakeholders, stakeholder interests, business environments (legal, regulatory, competitor) and business practices vary across regions of the world.</p> | N/A |
| 6 | <p>Our graduates will understand types of markets and key business areas and their interaction to effectively manage different types of enterprises. Specifically, students will:</p> <p>6.1 Demonstrate foundational knowledge of core business disciplines, including business analytics and business economics.</p> <p>6.2 Understand the interrelationships between functional areas of business so as to develop a general perspective on business management.</p> <p>6.3 Apply theories, models, and frameworks to analyze relevant markets (e.g. product, capital, commodity, factor and labor markets).</p> <p>6.4 Show the ability to utilize technologies (e.g., spreadsheets, databases, software) relevant to contemporary business practices.</p> | 1-8 |

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. One from MATH 118 or MATH 125 or MATH 126 or MATH 226 is a prerequisite for ECON 351. Therefore, I expect students to have a good understanding of the material covered in that class.

REQUIRED COURSE MATERIALS

1. *Microeconomics for Business*, a USC Custom 4th edition (ISBN: 9781323764992).

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.

2. *Course Notes on Blackboard*: Power point slides and other course material will be uploaded to Blackboard. Blackboard Registration (<http://blackboard.usc.edu>) is required.

3. MyLab Registration (pearsonmylab.com):

Please follow the registration instructions provided on Blackboard under “Course Content”. To register for MyLab, use your USC email and official registration name (no nicknames; no non-USC email accounts).

Note: You have two ways to purchase MyLab.

- 1) You may purchase hard copy of the book which comes with MyLab registration that also includes the e-book.
- 2) You may purchase the MyLab together with the e-book without having to purchase the hard copy of the book.

GRADING POLICY

Grades will be assigned according to the following weights:

| | |
|----------------------------------|------|
| 11 Best Pre-Lecture Quizzes | 3% |
| 11 Best Post-Lecture Assignments | 12% |
| Midterm 1 | 20 % |
| Midterm 2 | 20 % |
| Midterm 3 | 20 % |
| Final Exam | 25 % |

Tentative Exam Dates:

Midterm 1: September 17, Monday

Midterm 2: October 17, Wednesday

Midterm 3: November 14, Wednesday

Final Exam: Please check the university website <http://classes.usc.edu/term-20183/finals/>

Pre-Lecture Quizzes: You will have 13 quizzes and the average of your best 11 quizzes will count for 3% of your final grade. You will take these pre-lecture quizzes on the MyLab website before we cover the assigned chapter in class. The goal of these quizzes is to give you an incentive to read the material and become familiar with the topics prior to class. Students who read the assigned material in the text and then work on the quiz questions will get the most out of lectures and will perform better on the exams. You will have two attempts and up to one hour to complete each quiz. The schedule and deadlines for quizzes are provided at the end of the syllabus.

Post-Lecture Assignments: You will have 13 homework assignments and the average of your best 11 assignments will count for 12% of your final grade. You will have 3 attempts for each question. You will take these assignments on the MyLab website after we cover the assigned chapter in class. The goal of these assignments is to ensure you study on a weekly basis. Since Economics is a subject matter that builds on previous topics, students who study on a regular basis will perform better. The assignment schedule and deadlines are provided at the end of the syllabus.

Note: In fairness to students who complete the quizzes and assignments on time, there will be no deadline extensions and no make-ups for the missed quizzes or the assignments. Missed quizzes and assignments will count towards your lowest two scores that are dropped out.

You should start working on the quizzes and assignments as soon as they are made available on MyLab and do not leave them to the last minute. If the website crashes and you cannot do your submission by the due date, there will not be any deadline extensions.

Three Midterm Exams: Midterm exams are each worth 20% of your final grade. The chapters that you will be responsible for each midterm are provided at the end of the syllabus under “Tentative Course Schedule”.

Final Exam: Final exam will be worth 25% of your final grade. The exam is cumulative, but with more emphasis on the second half of the course.

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 makeup Exams. By enrolling in this course you are committing to take the exams on the scheduled dates. If you miss an exam, you receive an automatic zero. If you miss an exam for an approved reason, the weight of all other exams will be increased proportionately to compensate for the missed exam. Approval for a missed exam are **very rare**, and only with the appropriate written documentation from an authoritative source indicating why the student was unable to appear for the exam.

If your end of Semester Score is 60% or lower, you will receive a failing grade (F). I will not, under any circumstances, provide work for extra credit to any student to pass the class or to boost his/her grade.

Cutoff points for As, Bs, Cs, and Ds will be assigned according to the overall class performance and your individual performance. Your grade will not be based on a mandated curve or hard target, but based on my best judgment of your performance given the results achieved. Historically, the average grade point for this class is about a 3.0 (B). In case of border-line grades, my opinion will matter. *In determining my opinion, I will consider good work ethics, participation in classroom discussions and the classroom conduct of the student.*

Classroom Approach. We will start each class with a 15-20 minute discussion period in which we talk about a current event or introduce a topic. This will be followed by a 50-60 minute lecture. We will spend the remainder of class time having students solve problems in small groups. ***You can expect to be called upon to answer a question.*** Also, the materials posted to the 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.

CLASSROOM GUIDELINES.

In order to create a conducive learning environment, students are expected to follow the following rules:

1. No phones, laptops or other internet devices may be used in class. Phones should be turned off and put away before entering class .
2. Arrive on time and stay for the entire class. You may not come and go as you please. If you have an *extraordinary* circumstance that requires you to come to class late or leave the class early, you need to notify me in advance.
3. Do not lounge or engage in private/side conversations.

ADDITIONAL INFORMATION

TECHNOLOGY POLICY

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the respective professor and/or staff. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. ANY e-devices (cell phones, iPads, other texting devices, laptops, I-pods) must be completely turned off during class time. Upon request, you must comply and put your device away. 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 if approved by the professor. Use of any recorded or distributed material is reserved exclusively for the USC students registered in this class.

ADD/DROP PROCESS

This class will remain open enrollment (R-clearance) for the first three weeks of the semester. If there is an open seat, students will be freely able to add a class using Web Registration throughout the first three weeks of the term. If the class is full, students will need to continue checking Web Registration to see if a seat becomes available. There are no wait lists and the professor cannot add students. See USC guidelines here:

http://www.usc.edu/dept/publications/cat2012/private/pdf/2012_2013/academic_policies_12.pdf

1. **Waitlist.** There are no centralized wait lists for Marshall undergraduate courses. Although there are no wait lists, the Undergraduate Advising Office provides a system by which student can indicate their interest in enrolling in classes that are currently full in order to track demand and manage classroom space effectively.
2. **Dropping Students.** The professor may drop any student who, without prior consent, does not attend the first two class sessions. The instructor is not required to notify the student that s/he is being dropped.

USC SYSTEMS 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 Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. 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>.

Support Systems

Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

<https://engemannshc.usc.edu/counseling/>

National Suicide Prevention Lifeline - 1-800-273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class.

<https://equity.usc.edu/>

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

Student Support & Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

Diversity at USC

Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students. <https://diversity.usc.edu/>

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. emergency.usc.edu

USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime. Provides overall safety to USC community. dps.usc.edu

STUDENTS WITH DISABILITIES

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP 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 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.

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.

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.

TENTATIVE COURSE SCHEDULE

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

| | | |
|--|-----------------------|--|
| 1 | Aug 20 Monday | Introduction to class policies Chapter 1: Economics: Foundations and Models |
| 2 | Aug 22 Wed | Chapter 5: Consumer Behavior |
| 3 | Aug 27 Monday | Chapter 6: Individual and Market Demand |
| 4 | Aug 29 Wed | Chapter 6: Individual and Market Demand Contin'd |
| 5 | Sept 3 Monday | Labor Day – No Class |
| 6 | Sept 5 Wed | Chapter 4 – Basics of Supply and Demand |
| <i>Sept 7 is the last day to drop a class without W and receive a refund.</i> | | |
| 7 | Sept 10 Monday | Chapter 4: Basics of Supply and Demand Contin'd |
| 8 | Sept 12 Wed | Chapter 7: Uncertainty and Consumer Behavior |
| 9 | Sept 17 Monday | Midterm Exam 1 (Ch 1, 4, 5, 6 and 7) |
| 10 | Sept 19 Wed | Chapter 8: Production |
| 11 | Sept 24 Mon | Chapter 9: Cost of Production |
| 12 | Sept 26 Wed | Chapter 10: Cost of Production Contin'd |
| 13 | Oct 1 Monday | Chapter 10: Profit Maximization and Competitive Supply |
| 14 | Oct 3 Wed | Chapter 10: Profit Maximization and Comp Supply Contin'd |
| <i>Oct 5 is the last day to drop a class without W on the transcript (no refund)</i> | | |
| 15 | Oct 8 Monday | Chapter 11: The Analysis of Competitive Markets |
| 16 | Oct 10 Wed | Chapter 11: The Analysis of Competitive Markets Contin'd |
| 17 | Oct 15 Monday | Chapter 2: Trade-offs |
| 18 | Oct 17 Wed | Midterm Exam 2_(Ch 8, 9, 10 and 11) |
| 19 | Oct 22 Monday | Chapter 12: Market Power: Monopoly |
| 20 | Oct 24 Wed | Chapter 13: Pricing with Market Power |

| | | |
|----|--|---|
| 21 | Oct 29 Monday | Chapter 14: Monopolistic Competition & Oligopoly |
| 22 | Oct 31 Wed | Chapter 14: Monopolistic Comp & Oligopoly Contin'd |
| 23 | Nov 5 Monday | Chapter 15: Game Theory and Comp Strategy |
| 24 | Nov 7 Wed | Chapter 15: Game Theory and Comp Strategy Contin'd |
| | <i>Nov 9 is the last day to drop a class with a mark of W.</i> | |
| 25 | Nov 12 Monday | Chapter 17: Markets with Asymmetric Information |
| 26 | <u>Nov 14 Wed</u> | Midterm Exam 3_(Ch 12, 13, 14 and 15) |
| 27 | Nov 19 Monday | Chapter 17: Markets with Asymmetric Info Contin'd |
| 28 | Nov 21 Wed | No class -- Thanksgiving |
| 29 | Nov 26 Monday | Chapter 18: Externalities and Public Goods |
| 30 | Nov 28 Wed | Chapter 18: Externalities and Public Goods Contin'd |

Dec 5-12: Final exams week. Final Exam is cumulative.

PRE-LECTURE QUIZ AND AFTER-CLASS ASSIGNMENT DEADLINES

Your quizzes and assignments must be submitted by no later than 11pm on the due dates per the schedule below. No quizzes and assignment will be accepted after 11pm deadline.

Pre-Lecture Quiz Deadlines:

| Order ↑ | Ch. | Assignment Name | Category | Assigned | Start | Due | Actions |
|---------|--------|---|----------|----------|----------|---------------------|--------------|
| 1 | 3 | Ch 5 Consumer Behavior | ■ | ✓ | 08/20/18 | 08/21/18 11:00pm | -- Select -- |
| 2 | 4 | Ch 6 -- Individual and Market Demand | ■ | ✓ | 08/20/18 | 08/26/18 11:00pm | -- Select -- |
| 3 | 2 | Ch 4: Basics of Supply & Demand | ■ | ✓ | 08/20/18 | 09/04/18 11:00pm | -- Select -- |
| 4 | 5 | Ch 7: Uncertainty and consumer Behavior | ■ | ✓ | 09/01/18 | 09/11/18 11:00pm | -- Select -- |
| 5 | 6 | Ch 8: Production | ■ | ✓ | 09/01/18 | 09/18/18 11:00pm | -- Select -- |
| 6 | 7 | Ch 9: The Cost of Production | ■ | ✓ | 09/01/18 | 09/23/18 11:00pm | -- Select -- |
| 7 | 8 | Ch 10: Profit Maximization | ■ | ✓ | 09/10/18 | 09/30/18 11:00pm | -- Select -- |
| 8 | 9 | Ch 11: The Analysis of Competitive Markets | ■ | ✓ | 09/20/18 | 10/07/18 11:00pm | -- Select -- |
| 9 | 10 | Ch 12: Market Power--Monopoly and Monopsony | ■ | ✓ | 10/01/18 | 10/21/18 11:00pm | -- Select -- |
| 10 | 11 | Ch 13: Pricing with Market Power | ■ | ✓ | 10/01/18 | 10/23/18 11:00pm | -- Select -- |
| 11 | 12, 13 | Ch 14&15: Monopolistic Competition/ Oligopoly and Game Theory | ■ | ✓ | 10/14/18 | 10/28/18 11:00pm | -- Select -- |
| 12 | 17 | Ch 17: Markets with asymmetric Information | ■ | ✓ | 11/01/18 | 11/11/18 11:00pm | -- Select -- |
| 13 | 18 | Ch 18: Externalities and Public Goods | ■ | ✓ | 11/01/18 | 11/18/18 | -- Select -- |

Post-Lecture Homework Assignment Deadlines:

| Ch. | Assignment Name | Category | Assigned | Start | Due |
|--------|--|----------|----------|----------|----------|
| 3 | HW 1: Ch 5--Consumer Behavior | ● | ✓ | 08/22/18 | 09/03/18 |
| 4 | HW 2: Ch 6--Individual and Market Demand | ● | ✓ | 08/27/18 | 09/05/18 |
| 2 | HW 3: Ch 4--Basics of Supply and Demand | ● | ✓ | 09/05/18 | 09/16/18 |
| 5 | HW 4: Ch 7--Uncertainty and Consumer Behavior | ● | ✓ | 09/12/18 | 09/16/18 |
| 6 | HW 5: Ch 8--Production | ● | ✓ | 09/19/18 | 09/26/18 |
| 7 | HW 6: Ch 9-- The cost of Production | ● | ✓ | 09/24/18 | 10/03/18 |
| 8 | HW 7: Ch 10--Profit Maximization | ● | ✓ | 10/01/18 | 10/10/18 |
| 9 | HW 8: Ch 11--The Analysis of Competitive Markets | ● | ✓ | 10/08/18 | 10/16/18 |
| 10 | HW 9: Ch 12-- Market Power-Monopoly and Monopsony | ● | ✓ | 10/22/18 | 10/29/18 |
| 11 | HW 10: Ch 13--Pricing with Market Power | ● | ✓ | 10/24/18 | 10/31/18 |
| 12, 13 | HW 11: Ch 14&15--Monopolistic Competition, Oligopoly and Game Theory | ● | ✓ | 10/29/18 | 11/11/18 |
| 17 | HW 12: Ch 17--Markets with Asymmetric Information | ● | ✓ | 11/12/18 | 11/30/18 |
| 18 | HW 13: ch 18--Externalities and Public Goods | ● | ✓ | 11/26/18 | 12/02/18 |