

Syllabus – Spring 2019

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Office: HOH-823 (Hoffman Hall)
Office Hours: Mondays 10:00am to 12:00pm
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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 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>1.5 Students will demonstrate the ability to be accurate, clear, expansive (thorough, detailed) and fair-minded in their thinking.</p>	1-4, 7-8
3	<p>Our graduates will be effective communicators to facilitate information flow in organizational, social, and intercultural contexts. Specifically, students will:</p> <p>3.2 Understand individual and group communications patterns and dynamics in organizations and other 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>4.2 Recognize ethical challenges in business situations and assess appropriate courses of action.</p>	8
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>6.3 Apply theories, models, and frameworks to analyze relevant markets (e.g. product, capital, commodity, factor and labor markets).</p>	1-8

Required Materials

In my experience, some students strongly benefit from reading the textbook, while others find it unnecessary. Therefore, the textbook is recommended, but not required. The recommended textbook for our class is Microeconomics for Business (Fourth Custom Edition for USC). This book was custom made for our class. It contains 15 chapters from the book Microeconomics by Pindyck and Rubinfeld, 9th edition, and 3 chapters from the book Microeconomics by Hubbard and O'Brien, 6th edition. Some books may 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, Second or Third Custom Edition for USC. It is also Ok to buy the book Microeconomics by Pindyck and Rubinfeld (7th, 8th or 9th editions). Obviously, the major difference between our custom book and the original Microeconomics by Pindyck and Rubinfeld 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 the 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:

Our material is divided into four sections: (1) Consumers, (2) Firms and Perfect Competition, (3) Market Power, and (4) Game Theory and Market Failures. We will have one "Section Exam" at the end of each section, plus a Midterm and a Final Exam. Each Section Exam will address the subject matter of the section that precedes it. The Midterm covers the material from Sections 1 and 2. The Final Exam covers the material from Sections 3 and 4.

Your semester score will be computed using your grade in the Final Exam and the four best grades out of the other five exams. Each exam will have an equal weight of 20% in your semester score.

4 Section Exams	Drop lowest grade out of the 5 tests,
1 Midterm	20% each remaining test
1 Final Exam	20%, cannot drop Final Exam

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:

$$\text{Semester Score} = 0.20 * (\text{sum of four best grades out of the Section Exams and Midterm}) + 0.20 * \text{Final Exam}.$$

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 Jan/29, (2) Tuesday Feb/26, (3) Tuesday Apr/02, (4) Tuesday Apr/23
Midterm	Tuesday, Mar/05
Final Exam Schedule	https://classes.usc.edu/term-20191/finals/
Section	Final Exam
Regular class at 10:00am-11:50am T-Th:	Tuesday, May/07, 11:00am to 1:00pm
Regular class at 2:00pm-3:50pm T-Th:	Thursday, May/02, 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 test is missed, it receives an automatic zero.

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.

ADDITIONAL INFORMATION

Academic Integrity and 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/>

The Office of Disability Services and Programs

Provides certification for students with disabilities and helps arrange relevant accommodations. dsp.usc.edu

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 – <https://diversity.usc.edu/>

Tabs for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

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 (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 Core Review Sessions

The Marshall Office of Undergraduate Advising & Student Affairs offers free weekly Core Review Sessions, as a supplement to classroom instruction. Marshall Peer Academic Leaders (PALs) assist students in understanding and clarifying difficult concepts covered in class that week. Students must come prepared with questions and actively participate. This is not one-on-one tutoring. The core review sessions are effective only if students regularly attend class and engage in the process of thinking critically about the course content. The sessions are a drop-in, group study format and are free to students. For more information, please visit the Marshall Core Review Sessions webpage <https://www.marshall.usc.edu/current-students/marshall-academic-resources>

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.

Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted after written approval by the professor.

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.

	Activities and Reading Material Book: Microeconomics for Business (4 th Edition)
Week 1 Jan/8,10	Chapter 1. Economics: Foundations and Models Chapter 5. Consumer Behavior
Week 2 Jan/15,17	Chapter 6. Individual and Market Demand
Week 3 Jan/22,24	Section 4.4 Elasticities of Supply and Demand Chapter 7. Uncertainty and Consumer Behavior
Week 4 Jan/29,31	** Section 1 Exam (Chapters 5 to 7, and Section 4.4) Chapter 8. Production
Week 5 Feb/5,7	Chapter 9. The Cost of Production Chapter 10. Profit Maximization and Competitive Supply
Week 6 Feb/12,14	Chapter 4. The Basics of Supply and Demand Chapter 11. The Analysis of Competitive Markets
Week 7 Feb/19,21	Chapter 2. Trade-offs, Comparative Advantage, and Market System
Week 8 Feb/26, 28	** Section 2 Exam (Chapters 8 to 11, 2 and 4) Chapter 12. Market Power: Monopoly and Monopsony
Week 9 Mar/5,7	** MIDTERM (Sections 1 and 2: Chapters 4 to 11, and 2) Chapter 13. Pricing with Market Power
Mar/12,14	Spring Break
Week 10 Mar/19,21	Chapter 14. Monopolistic Competition and Oligopoly
Week 11 Mar/26,28	Chapter 15. Game Theory and Competitive Strategy
Week 12 Apr/2,4	** Section 3 Exam (Chapters 12 to 14) (Finish Chapter 15)
Week 13 Apr/9,11	Chapter 17. Markets with Asymmetric Information
Week 14 Apr/16,18	Chapter 18. Externalities and Public Goods
Week 15 Apr/23,25	** Section 4 Exam (Chapters 15, 17, 18) Review for the Final Exam
FINAL	** FINAL EXAM (Sections 3 and 4: Chapters 12 to 15, 17 and 18) Final Exam Schedule https://classes.usc.edu/term-20191/finals/ Section Final Exam Regular class at 10:00am-11:50am T-Th: Tuesday, May/07, 11:00am to 1:00pm Regular class at 2:00pm-3:50pm T-Th: Thursday, May/02, 2:00pm to 4:00pm