

Econ 351 – Microeconomics for Business

Syllabus – Fall 2019

Lecture locations/times:

JFF LL105 Mon/Wed 12:00-1:50pm (26004R)

JFF LL125 Mon/Wed 4:00-5:50pm (26000R)

JFF LL125 Tues/Thurs 4:00-5:50pm (26349R)

JFF LL125 Tues/Thurs 6:00-7:50pm (26375R)

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USC Marshall

School of Business

Course Description

The main goal of this course is to show how microeconomic models can be used to guide business decisions. This is a course designed for business majors, with key departures from standard introductory microeconomics 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. To reflect rising concentration in markets we will spend some time on the implications of market power on firm pricing decisions and profits. The course also introduces basic principles of game theory and competitive strategy.

This course is designed to prepare students for future business courses, including finance, marketing, and strategy. The models, methods, and case studies have been selected with a focus on business relevant applications. More generally, this course provides a rigorous foundation for the study of decision making problems within firms. The student who successfully completes this course should be able to apply microeconomic analysis to issues of real world interest within the firm.

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.

Recommended Materials

There is no required textbook for this class. The lecture slides are self-contained and all homework exercises will be provided. For those students that desire additional material, we recommend two resources:

1. Professor Tony Marino, who also teaches this course, has developed his own text, "Microeconomics for Business Decisions". It can be accessed for free here: <http://faculty.marshall.usc.edu/Anthony-Marino/>. I will provide the pdf password in class. Please do not distribute the text or password to anyone that is not an Econ 351 student.
2. 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 and 3 chapters from the book Microeconomics by Hubbard and O'Brien. Some of the material in the slides specifically references this text. If you buy this text, it may come with a subscription to MyEconLab, but we will not be using it. Recent versions of the Pindyck and Rubinfeld text (7th or later) would also be a suitable resource.

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 Joy Zhu as our teaching assistant for the course. She was an outstanding student in the course last year. She will hold office hours in addition to ours. Her office hours are Tues and Thurs 1:00-2:00 in the first floor of Hoffman Hall. She can be reached at joyzhu@usc.edu.

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.24/25, (2) Nov.6/7
Midterm	Oct.15/16
Final Exam	

You are responsible for checking the exam schedule at:
<https://classes.usc.edu/term-20183/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-20193/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.

ADDITIONAL INFORMATION

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 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/>

Tab 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 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	Prof. Marino's Lecture Notes Reference	Microeconomics for Business Chapter
Week 1 Aug.26	Introduction/ Math Review (I)	Chapter 2	-
	Principles of Business Economics	Chapter 1	Chapter 1,4
Week 2 Sep.2	NO CLASS (Sep.2)		
	Consumer Behavior: Foundations of Demand	Chapter 3	Chapter 5
	The Consumer's Problem	Chapter 3	Chapter 5
Week 3 Sep.9	Individual and Market Demand	Chapter 3	Chapter 6
	Choice under Uncertainty	Chapter 5	Chapter 7
Week 4 Sep.16	Asymmetric Information in Markets	Chapter 13	Chapter 17
	Asymmetric Information in Firms	Chapter 13	Chapter 17
Week 5 Sep.23	** QUIZ 1 (Sep.24/25)	Quiz 1 covers Weeks 1-3	Quiz 1 covers Weeks 1-3
	Game Theory in Business I	Chapter 12	Chapter 15
Week 6 Sep.30	Game Theory in Business II	Chapter 12	Chapter 15
	Advanced Topics : Behavioral Economics	-	-
Week 7 Oct.7	Midterm Review	-	-
	Introduction/ Math Review (II)	Chapter 2	-

Week 8 Oct.14	** MIDTERM (Oct.15/16) NO CLASS (Oct.17)	Midterm covers all material to date	Midterm covers all material to date
Week 9 Oct.21	Individual As a Firm (Labor Supply) Production Functions	Extra Readings Chapters 6, 7	Extra Readings Chapters 8, 9
Week 10 Oct.28	Profit Maximization Market Equilibrium	Chapters 7, 8 Chapter 8	Chapter 10 Chapters 11.1- 11.2
Week 11 Nov.4	Government Policy ** QUIZ 2 (Nov.6/7)	Chapter 8 Quiz 2 covers Weeks 9 and 10	Chapters 11.3- 11.6 Quiz 2 covers Weeks 9 and 10
Week 12 Nov.11	Market Power Capacity Competition	Chapters 9 and 10 Chapter 11	Chapters 12.1- 12.2; 13.1-13.4 Chapters 14.2; 15.7
Week 13 Nov.18	Pricing Competition Product Competition	Chapter 11 Extra Readings	Chapters 14.3- 14.6 Extra Readings
Week 14 Nov.25	Industrial Regulation NO CLASS (Nov.27/28)	Chapter 9 -	Chapters 12.4; 12.7 -
Week 15 Dec.2	Advanced Topics: Market Design Final Review	Chapter 12	Chapters 15.8
FINAL Dec.11-18	** FINAL EXAM	Final covers all material covered after the Midterm	Final covers all material covered after the Midterm

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> <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
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 motivations and behaviors of stakeholders inside and outside organizations (e.g., teams, departments, consumers, investors, auditors)</p> <p>2.2 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>2.3 Students will understand factors that contribute to effective teamwork including how to elicit, manage and leverage diverse perspectives and competencies.</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>	8

<p>5</p>	<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>	
<p>6</p>	<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>	<p>1-8</p>