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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. 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. For example, the economics of consumer choice underlies much of modern marketing strategy, including pricing, segmentation and advertising. The theory of the firm contributes to a sound understanding of cost accounting as well as production decisions. Economic analysis of intertemporal decisions and behavior in a risky environment form the foundation of finance. Finally, the study of market failure and industrial structure is necessary for an understanding of government's role in a market economy and the political environment for business.

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.

### **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><b>Our graduates will demonstrate critical thinking skills so as to become future-oriented decision makers, problem solvers and innovators.</b> 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><b>Our graduates will develop people and leadership skills to promote their effectiveness as business managers and leaders in the 21<sup>st</sup> century's evolving work and organizational structures.</b> 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>	8
3	<p><b>Our graduates will be effective communicators to facilitate information flow in organizational, social, and intercultural contexts.</b> 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><b>Our graduates will demonstrate ethical reasoning skills, understand social, civic, and professional responsibilities and aspire to add value to society.</b> 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</p>	8

	action.	
<b>5</b>	<p><b>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.</b> 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>	<b>1</b>
<b>6</b>	<p><b>Our graduates will understand types of markets and key business areas and their interaction to effectively manage different types of enterprises.</b> 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>	<b>1-8</b>

### **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 (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 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 older versions of the 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 1 Midterm 1 Final Exam	Drop lowest grade out of the 6 tests, 20% each remaining test
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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 average semester score (also from zero to 100 points) as follows:

$$\text{Semester Score} = (\text{sum of five best grades})/5.$$

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 Feb/04, (2) Tuesday Mar/03, (3) Tuesday Apr/07, (4) Tuesday Apr/28
Midterm	Tuesday, Mar/10
Final Exam Schedule	<a href="https://classes.usc.edu/term-20201/finals/">https://classes.usc.edu/term-20201/finals/</a>
Section	Final Exam
Regular class at 10:00am-11:50am T-Th:	Tuesday, May/12, 11:00am to 1:00pm
Regular class at 12:00pm-1:50pm T-Th:	Wednesday, May/13, 2:00pm to 4:00pm
Regular class at 4:00pm-5:50pm T-Th:	Thursday, May/07, 4:30pm to 6:30pm

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.

All students should take the final exam. 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. Students sometimes do have personal problems that prevent them from coming to an exam or prevent them from performing well on a particular test. For example, a student may miss a test because of a health issue, or a student may need to travel for some important family reason. To take into account these extraordinary cases, we automatically drop the student's lowest grade in the semester. Therefore, please do not consider the option to drop the lowest test as a free pass to perform poorly on an exam. This option is included in our grading policy to take into account extraordinary events, out of the student's control, that may negatively impact the student's performance or ability to come to a particular exam. We will also follow all mandatory USC policies related to grading.

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 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" [policy.usc.edu/scampus-part-b](http://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, [policy.usc.edu/scientific-misconduct](http://policy.usc.edu/scientific-misconduct).

#### **Support Systems**

*Counseling and Mental Health - (213) 740-9355 – 24/7 on call*  
[studenthealth.usc.edu/counseling](http://studenthealth.usc.edu/counseling)

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

*National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call*  
[suicidepreventionlifeline.org](http://suicidepreventionlifeline.org)

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

*Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press "0" after hours – 24/7 on call*  
[studenthealth.usc.edu/sexual-assault](http://studenthealth.usc.edu/sexual-assault)

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

*Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298*  
[equity.usc.edu](http://equity.usc.edu), [titleix.usc.edu](http://titleix.usc.edu)

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following *protected characteristics*: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

*Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298*  
[usc-advocate.symplcity.com/care\\_report](http://usc-advocate.symplcity.com/care_report)

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

*The Office of Disability Services and Programs - (213) 740-0776*  
[dsp.usc.edu](http://dsp.usc.edu)

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

*USC Support and Advocacy - (213) 821-4710*

[uscsa.usc.edu](http://uscsa.usc.edu)

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

*Diversity at USC - (213) 740-2101*  
[diversity.usc.edu](http://diversity.usc.edu)

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

*USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call*  
[dps.usc.edu](http://dps.usc.edu), [emergency.usc.edu](http://emergency.usc.edu)

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

*USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call*  
[dps.usc.edu](http://dps.usc.edu)

Non-emergency assistance or information.

## **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](http://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](mailto: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.

	<b>Activities and Reading Material</b> <b>Book:</b> Microeconomics for Business (4 <sup>th</sup> Edition)
<b>Week 1</b> Jan/14,16	Chapter 1. Economics: Foundations and Models Chapter 5. Consumer Behavior
<b>Week 2</b> Jan/21,23	Chapter 6. Individual and Market Demand
<b>Week 3</b> Jan/28,30	Section 4.4 Elasticities of Supply and Demand Chapter 7. Uncertainty and Consumer Behavior
<b>Week 4</b> Feb/04,06	<b>** Section 1 Exam</b> (Chapters 5 to 7, and Section 4.4) Chapter 8. Production
<b>Week 5</b> Feb/11,13	Chapter 9. The Cost of Production Chapter 10. Profit Maximization and Competitive Supply
<b>Week 6</b> Feb/18,20	Chapter 4. The Basics of Supply and Demand Chapter 11. The Analysis of Competitive Markets
<b>Week 7</b> Feb/25,27	Chapter 2. Trade-offs, Comparative Advantage, and Market System
<b>Week 8</b> Mar/03, 05	<b>** Section 2 Exam</b> (Chapters 8 to 11, 2 and 4) Chapter 12. Market Power: Monopoly and Monopsony
<b>Week 9</b> Mar/10,12	<b>** MIDTERM</b> (Sections 1 and 2: Chapters 4 to 11, and 2) Chapter 13. Pricing with Market Power
Mar/17,19	Spring Break
<b>Week 10</b> Mar/24,26	Chapter 14. Monopolistic Competition and Oligopoly
<b>Week 11</b> Mar/31, Apr/02	Chapter 15. Game Theory and Competitive Strategy
<b>Week 12</b> Apr/7,9	<b>** Section 3 Exam</b> (Chapters 12 to 14) (Finish Chapter 15)
<b>Week 13</b> Apr/14,16	Chapter 17. Markets with Asymmetric Information
<b>Week 14</b> Apr/21,23	Chapter 18. Externalities and Public Goods
<b>Week 15</b> Apr/28,30	<b>** Section 4 Exam</b> (Chapters 15, 17, 18) Review for the Final Exam
<b>FINAL</b>	<b>** FINAL EXAM</b> (Sections 3 and 4: Chapters 12 to 15, 17 and 18) Final Exam Schedule <a href="https://classes.usc.edu/term-20201/finals/">https://classes.usc.edu/term-20201/finals/</a> Section Final Exam Regular class at 10:00am-11:50am T-Th: Tuesday, May/12, 11:00am to 1:00pm Regular class at 12:00pm-1:50pm T-Th: Wednesday, May/13, 2:00pm to 4:00pm Regular class at 4:00pm-5:50pm T-Th: Thursday, May/07, 4:30pm to 6:30pm