



ECON 351-Microeconomics for Business
Spring 2015

Section: 26348R Location: HOH EDI Time: T-Th 8:00 am -9:50 am

Professor: Dr. Sena Durguner

Office Location: BRI-307A

E-mail: durguner@marshall.usc.edu

Office Hours: Thursdays from 10:00am-12:00pm

The materials of this course (syllabus, power-point slides, non-graded assignments, and exams) 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 by representing various game-theoretic interactions.

6. Explore market power by examining the impact of monopoly and oligopoly on resource allocation.
7. Apply concepts of comparative advantage through calculation of gains from exchange, given two countries' (or individuals') production possibilities frontiers.
8. Analyze the impact of various forms of government interference in markets by calculating the changes in consumer and producer surplus, and deadweight loss.
9. Analyze the impact of asymmetric information on market efficiency by explaining examples of adverse selection, moral hazard, and the principal-agent problem.
10. Understand public goods, and positive and negative externalities and how they relate to potential market failure.

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

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 3rd Edition. (ISBN: 1269953528).

I put 4 copies of the textbook on reserve at the Crocker Business Library.

2) Blackboard Registration (<http://blackboard.usc.edu>): Power point slides and other course material (including non-graded assignments) will be uploaded to Blackboard.

Note 1: The required textbook is a custom book specifically designed 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. 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.

Note 2: Since the book is expensive, some students may prefer to look for a used textbook. The main differences between the First Custom Edition for USC and the Second Edition are that the First Edition had a different third chapter, and the chapter labels were confusing. The difference between second and third edition is that there has been minor changes to chapter 1, 2, and 3. In this class, we will not be covering chapter 3.

GRADING POLICY

Grades will be assigned according to the following weights:

Midterm 1	22 %
Midterm 2	22 %
Midterm 3	22%
Final Exam	34 %

Tentative Exam Dates:

Midterm 1: February 10, Tuesday

Midterm 2: March 24, Tuesday

Midterm 3: April 21, Tuesday

Final Exam: Please check the university website <http://classes.usc.edu/term-20151/finals/>

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. It is your responsibility to check the announcements on Blackboard.

3 Midterm Exams: Each midterm exam will be worth 22% 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 **cumulative** and covers all the chapters. **All the chapters and/or concepts are equally weighted.** Final exam will be worth 34% of your final grade.

All midterms and final exam will be closed book and notes. No formula sheets will be allowed for midterms and final exam.

University policy requires the final exam to be given at the time indicated by the University's final exam schedule. You may refer to <http://classes.usc.edu/term-20151/finals/> to learn about the final exam time and location. 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, no matter what the excuse is. By enrolling in the course you are committing to take the tests on the scheduled dates. If you miss an exam, it receives an automatic zero.

If you miss a **midterm** for an approved reason, the weight of the final exam is increased to compensate for the missed midterms. Approval for a missed midterm will be **rare**, and only with appropriate written documentation from an authoritative source indicating why the student was unable to appear for the midterm. A doctor's certification addressed to the professor warranting the absence of the student from an exam will be required. If you have to miss a test for religious reasons, a formal request for weight adjustment for the missed exam should be made at least two weeks before the missed exam and the school will need to verify the validity of your request.

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.

$$\text{Semester Score} = 0.22 * \text{Midterm 1 Score} + 0.22 * \text{Midterm 2 Score} + 0.22 * \text{Midterm 3 Score} + 0.34 * \text{Final Exam Score}.$$

If your Semester Score is between zero and 49 points (inclusive), you will receive a **failing grade (F)**. This rule will be strictly enforced. I will also not assign any kind of extra credit activities (papers, homework, etc.) to any of the students in class either to pass the class or to boost their grades.

Cutoff points for Ds, Cs, Bs, and As will be assigned according to the overall course performance. Overall course performance will be based on all students who are enrolled in my Econ 351 course during the current semester. Your final grade will reflect my best judgment of your course performance, as indicated by your performance on the exams and your ranking among all students in the course. Your rankings in the course will be determined based on the weighted score you received at the end of the semester. I will attempt to follow the School's recommended **mean GPA target: 3.0 (B)**. There will be no hard target for the distribution of grades.

In marginal situations, if you are in between cutoffs, my opinion will matter. In determining my opinion, I will consider your work ethics, your professionalism in class, and how well prepared

you come to class and how satisfactorily you answer cold-calls (please refer to section on “Recommended Preparations and Expectations” to learn more about how you can better prepare for a class). Some examples of **good work ethics** are hard work, motivation, persistence, and determination. Some examples of **professionalism** in and out of class are arriving to class on time and not leaving the class early, being attentive and not lounging during lectures, turning off cell phones/laptops/any other technical devices before the class starts, no side/private conversations during lecture, and not engaging in any type of disruptive behavior in class.

CLASSROOM POLICIES TO FOLLOW

In order to create a **conducive learning environment** for all students, students are expected to follow the below grim rules—grim means “no negotiation” in this context. ***If you do not follow these policies, you will leave the classroom.***

- 1) Turn off your cellular phones before entering the classroom and put them in your bag-packs. Since your phone should be turned off, texting during class is not only disrespectful, but it is also a serious violation of class policy.
- 2) No laptops or tablets or other electronic devices are allowed in class. Past feedbacks from students brought out the concern that this causes a distraction for them.
- 3) No student can arrive late to class or leave the class in the middle.
- 4) Lounging during class time is not allowed.
- 5) Private/Side conversations among students (no matter what the purpose is) during class time is not allowed.
- 6) When you are asked to work on a problem during class time, you need to work on your own (on an individual basis) because group work causes noise and distraction for the rest of the class.
- 7) Interfering with other students’ questions are not allowed because it creates chaos in class. Every student is responsible in expressing their own questions. If they need further explanations to their questions, they need to follow up with the professor after class.
- 8) Any additional disruptive behavior will not be tolerated. Examples of additional disruptive behavior are as follows but not limited to only these examples:
 - A student in class who persistently arrives late or leaves early in a manner which is disruptive to the regular flow of the class.
 - A student who talks incessantly while the professor is delivering a lecture.
 - A student who loudly and frequently interrupts the flow of class with inappropriate questions or interjections.
 - A student who becomes belligerent when the professor confronts his or her inappropriate behavior.

*Behavior that **persistently or grossly** interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other students’ ability to learn and an instructor’s ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office of Student Judicial Affairs for disciplinary action.*

- 9) You are not allowed to have cell phones during exam times. If you are caught having cell phone on your desk, or holding the cell phone in your hand or on your knees or on your chair during an exam time, it will automatically be considered as cheating and you will receive an automatic F from the course. The cell phones should be in your bag-packs.

10) No reference letter will be written until after the final letter grades are determined and the entire performance throughout the semester is observed.

OFFICE HOUR POLICIES TO FOLLOW

Please remember that office hours are open to any student and there is limited space in the office. Thus, in order to create a conducive learning environment during the office hours, we need to follow the below policies.

- 1) Come prepared with your own work and bring specific questions. Do not ask the professor to randomly solve any question so that you can review.
- 2) Do not use the office hours and also the office location as a library. That would mean, after getting answers to your specific questions, please do not ask the professor whether you can stay in her office and continue to study and meanwhile ask questions as you come along with questions. You should do your study alone and then bring your specific questions to the office hour.
- 3) Do not continue to hang around in the office during the office hour so that you can hear other students' questions.

RECOMMENDED PREPARATIONS AND EXPECTATIONS

An active and productive classroom is essential for the success of this course. Cultivating and maintaining such an environment is the responsibility of the instructor and the students. This responsibility imposes several obligations on all of you. First, it is very important that **you prepare yourself for each and every session**. To be more specific, **prior to every session, you should read the chapter and the power point slides before we cover in the class** (see the last page of this syllabus under Course Schedule for a detailed schedule). I would like to highlight that powerpoint slides are prepared in depth and reading the power-point slides before coming to class will help you in your preparation to class.

Microeconomics is logical and seems quite apparent when material is being presented in class. However, the arguments can be subtle and intellectually as well as analytically challenging when the student attempts to reproduce the details of an economic argument outside of class. Further, microeconomic theory is cumulative, so that a misunderstanding of some earlier argument can create an even deeper misunderstanding at some later stage. It is important that you **review your notes after each class and attempt to recreate the same economic arguments on your own**. Keep current with your understanding of the material by reviewing your lecture notes soon after each class.

For each chapter, I will post non-graded assignments to Blackboard. Although you are not graded on these assignments, my expectation is that you do these **non-graded assignments immediately after we cover the related chapter**. These non-graded assignments are very important part of our class – students who **carefully and on regular basis** study these additional materials obtain significantly better grades on the exams. If you pile up these assignments until a week before the exam, you will not be successful in this class. I would like to caution that non-graded assignments are for practice only and memorizing the questions in the non-graded assignments will not guarantee you success in this class. To be successful in this class, you need to learn to **think rather than memorize**.

I will not be handing out any of the class materials (power point slides and non-graded assignments) in class. All these will be available through Blackboard. You are responsible for timely download of the materials. I will also use Blackboard to make class announcements. You will receive an email notification each time an announcement is posted. It is your responsibility to regularly check the announcements and uploads on Blackboard.

Also, the slides posted on Blackboard are not a complete record of what I say or do in class, so coming prepared to class, attending lectures, and taking notes are advised to successfully complete the course. If you miss a lecture, the solutions to the power point slides will not be available in Blackboard. You will need to ask for a friend's note or you can confirm with me your answer **only** if you bring me your own solutions.

The class period will typically be taken up by lecture and questions addressed to students (to understand student preparation for class), but questions from students are also encouraged. However, if I feel that a question leads us too far afield and would be discussed outside of class, I will say so.

You may also ask me your questions over the email. However, in your emails, you need to write me specifically the question and also your thought process and then I will lead you where you are doing the mistake. I will try to respond those emails within 24 hours. Most times if it is not feasible to give a comprehensive answer to questions sent to me by e-mail, I will ask you to come to my office hours.

MARSHALL GUIDELINES

GRADE APPEALS

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.

TECHNOLOGY POLICY

Videotaping faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted but please ask for my permission. 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 students 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.

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 Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions>. 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>.

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://capsnet.usc.edu/departments/departments-public-safety/online-forms/contact-us>. 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. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage <http://sarc.usc.edu> describes reporting options and other resources.

STATEMENT ON ACADEMIC INTEGRITY

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. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in 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.

MARSHALL TUTORING PROGRAM

The Marshall Office of Undergraduate Advising offers Peer Tutoring as a supplement to classroom instruction. Marshall Peer Tutors are able to assist students in understanding and clarifying difficult concepts, but tutoring sessions are effective only if students regularly attend class and actively engage in the process of thinking critically about the course content.

Marshall Peer Tutoring services are available for core courses that are traditionally challenging, including ECON 351x, ECON 352x, BUAD 310, and BUAD 306. Tutoring will begin on the Monday of the third week of classes for ECON-351x. Students can choose to participate in group tutoring sessions or drop-in tutoring sessions. Most students will benefit from group tutoring in particular, as the purpose of group tutoring sessions is to review and discuss content covered in the previous and current week.

For more information on tutoring for ECON 351x, see <http://students.marshall.usc.edu/undergrad/advising/> or contact the Marshall Office of Undergraduate Advising in BRI-104, by phone 213-740-0690, or email undergrad.advising@marshall.usc.edu.

STATEMENT FOR STUDENTS WITH DISABILITIES

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 STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. For more information visit www.usc.edu/disability.

Students requesting test-related accommodations will need to share and discuss their DSP recommended accommodation letter/s with their faculty *at least three weeks before* the date the accommodations will be needed. Additional time may be needed for final exams. Please note that a reasonable period of time is still required for DSP to review documentation and to make a determination whether a requested accommodation will be appropriate.

SUPPORT SYSTEMS

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

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.

TENTATIVE COURSE SCHEDULE

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

1	Jan 13 Tuesday	Introduction to class policies Chapter 1: Economics: Foundations and Models
2	Jan 15 Thursday	Chapter 1: Economics: Foundations and Models Chapter 5: Consumer Behavior
3	Jan 20 Tuesday	Chapter 5: Consumer Behavior
4	Jan 22 Thursday	Chapter 5: Consumer Behavior Chapter 6: Individual and Market Demand
5	Jan 27 Tuesday	Chapter 6: Individual and Market Demand
6	Jan 29 Thursday	Chapter 6: Individual and Market Demand
<i>Jan 30 is the last day to drop a class without W.</i>		
7	Feb 3 Tuesday	Chapter 4 - Section 4.4 and 4.5: Elasticities of Supply and Demand
8	Feb 5 Thursday	Chapter 7: Uncertainty and Consumer Behavior
9	<u>Feb 10 Tuesday</u>	<u>Midterm Exam 1 (chapters 1, 5, 6, 4.4 & 4.5, 7)</u>
10	Feb 12 Thursday	Chapter 8: Production
11	Feb 17 Tuesday	Chapter 9: Cost of Production
12	Feb 19 Thursday	Chapter 9: Cost of Production
13	Feb 24 Tuesday	Chapter 10: Profit Maximization and Competitive Supply
14	Feb 26 Thursday	Chapter 10: Profit Maximization and Competitive Supply
15	March 3 Tuesday	Chapter 4: The Basics of Supply and Demand
16	March 5 Thursday	Chapter 11: The Analysis of Competitive Markets
17	March 10 Tuesday	Chapter 11: The Analysis of Competitive Markets

18	March 12 Thursday	Chapter 2: Trade-offs, Comparative Advantage, and Market System
19	<u>March 17 Tuesday</u>	<u>No Class-Spring Recession</u>
20	<u>March 19 Thursday</u>	<u>No Class-Spring Recession</u>
21	<u>March 24 Tuesday</u>	<u>Midterm Exam 2 (chapters 4, 8, 9, 10, 11)</u>
22	March 26 Thursday	Chapter 12: Market Power: Monopoly and Monopsony
23	March 31 Tuesday	Chapter 13: Pricing with Market Power
24	April 2 Thursday	Chapter 14: Monopolistic Competition and Oligopoly
25	April 7 Tuesday	Chapter 14: Monopolistic Competition and Oligopoly
26	April 9 Thursday	Chapter 15: Game Theory and Competitive Strategy

April 10 is the last day to drop a class with W.

27	April 14 Tuesday	Chapter 15: Game Theory and Competitive Strategy
28	April 16 Thursday	Chapter 17: Markets with Asymmetric Information
29	<u>April 21 Tuesday</u>	<u>Midterm Exam 3 (chapters 2, 12, 13, 14, 15)</u>
30	April 23 Thursday	Chapter 17: Markets with Asymmetric Information
31	April 28 Tuesday	Chapter 18: Externalities and Public Goods
32	April 30 Thursday	Final Exam Review

May 6-13: **Final exams week.**

Final Exam is cumulative and covers all the chapters (chapters 1, 2, 4, 4.4, 4.5, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18). All the chapters and/or concepts are equally weighted.