

Econ315 -- Intermediate Business Microeconomics

Professor Lakshmi K. Raut

Spring 2004, TR 1:00-2:15PM, Room: LH315A, phone: (714)278-5481

Office hours: T, R:4:00-5:30PM, Thursdays 6:45-7:45PM, Room #LH 408A

E-mail: lraut@fullerton.edu Homepage: <http://lraut-2k.fullerton.edu> or <http://business.fullerton.edu/lraut>

The internet address for this course: go to the above page and then follow the link to Teaching->Spring 2004 at CSUF->Econ315.

You **MUST** establish your password to be able to download and view most of the course materials and to get the self-graded homework graded.

Course objective

There are many important economic decisions that are made everyday by individual consumers, managers of the firms and the government of an economy. The interactions among these decisions determine many economic outcomes. For instance, how resources of an economy are allocated to produce various goods and services, which goods and services are imported and which are exported, how many hours an individual worker spends in the labor market. The government introduces many regulations and other policies that affect both consumers and managers of firms. For instance, a government may introduce restrictions to import goods, or introduce a minimum wage law, or restrict mergers or unfair competitive practices of firms. Who benefits from these, and by how much? The primary objective of this course is to develop a set of tools to analyze these issues. In particular, these tools will enable us to understand how a firm's manager make well informed, responsible and efficient business decisions in an increasingly dynamic world. How you as an individual would decide how many years of schooling to have, where to invest your money given that assets vary in their risks and returns. To this end, the course envisages integrating the traditional microeconomic analysis of standard topics -- demand and supply, production and costs, market structure and market failures, factor market interactions, antitrust and regulation -- with the treatment of more current and managerially important topics such as how to design contracts so that the work is done most efficiently, when to merge with another company, when to shut-down a plant and many more.

However, knowledge of the underlying economic framework within which to analyze managerial problems is by itself not enough for a manager in today's fast changing business environment. A broad understanding of the perspectives that form the context for business is essential. Specifically, a business student's education is incomplete without adequate exposure to the following perspectives: (i) Ethical issues, (ii) Global issues, (iii) Political, social, legal, regulatory, and environmental issues, (iv) Technological issues, and, (v) The impact of demographic diversity on organizations.

In accordance with the above, Intermediate Business Microeconomics aims at meshing the bread and butter tools of microeconomic analysis with a well rounded appreciation of the important perspectives that form the business environment in the contemporary world.

The main purpose of the degree program at the College of Business & Economics (CBE) at Cal State Fullerton is to provide you with the knowledge and skills that prepare you for a successful career in business. In order to assist us in achieving this goal, we will use a number of assessment tools to track your progress through the CBE curriculum. Please expect to participate in CBE assessment activities in several of your courses while at the CBE. As you do so, you will assist us in identifying our program's strengths and weaknesses as well as areas for potential improvement. In other words, you are making an important investment in the value of your degree.

Prerequisites:

The prerequisite for this course is ECON 202 and MATH 135. All unqualified students must drop this course immediately.

Text(Required)

Jeffrey M. Perloff, *Microeconomics*, 3rd Edition Pearson/ Addison-Wesley.

Academic Dishonesty: Academic dishonesty of any kind will not be tolerated. It will lead to a grade of F and will be reported to the administration for further action.

Course requirements

Mid Term Exam 1 (25%), Mid-term Exam 2 (25%), Graded Homework (10%), class participation and attendance (random days and times) (5%) and Cumulative Final Exam (35%). **The letter grades criterion:** The above weighted average of all the scores in the range [90-100] is A, in the range [80-90) is B, in the range [70-80) is C, in the range [60-70) is D, and in the range [0-60) is F. If you did not submit your homework on time or you make any mistake, there will be no adjustment. There will be no make-up exams. If you have a letter from the Dean or the Chair of the Department before the date of the exam certifying you to miss a mid-term exam, the weight of that missing mid-term exam will be shifted equally to the remaining two exams.

Course Outline:

We shall cover very selective portions from the text as outlined below. Note that this outline is **very tentative** and **subject to change**. Also, the Roman numerals (i) through (v) reflect the perspectives mentioned in the Introduction that are interwoven into the course material.

<u>Week</u>	<u>Chapter(s)</u>
February 3	1: Introduction (read by yourself) , Perloff Chapter 1 2: Supply and Demand , Perloff Chapter 2 (i)
February 10	2: continued (i)
February 17	3:Applying the Supply and Demand : Perloff Chapter 3 (i), (ii), (iii)
February 24	4: Consumer Choice: Perloff Chapter 4, (ii), (v)
March 2	4: Contd (ii), (v)
March 9	5: Applying Consumer Theory: Perloff Chapter 5, (i), (ii), (iii)
March 16	5 (contd.): (i), (ii), (iii) Midterm 1: Tuesday, March 16.
March 23	6: Firms and Production: Perloff Chapter 6 (iv)
April 6	7 Costs: Perloff Chapter 7 (iv)
April 13	8: Market Structure (Perfect Competition): Perloff Chapter 8 (i), (ii), (iii) & (iv)
April 20	9 Applying Competitive Model: Perloff Chapter 9(i), (ii), (iii) & (iv)
April 27	Midterm 2: Tuesday, April 27. 10. Economic Welfare Perloff Chapter 10, (i),(iii)
May 4	11: Pricing with Market Power- Monopoly: Perloff Chapter 11 (i), (ii), (iii), (iv)
May 11	12:Pricing, Perloff Chapter 12 (i), (ii), (iii), (iv)
May 18	13: Economics of Strategy: Game Theory: Perloff Chapter 13 (i), (ii), (iii), (iv) 14. Investing under uncertainty, Perloff ch. 17, (i), (ii) 15. Contracts and moral hazard, Perloff ch.20, (i),(iii),(v)
May 25	Final Exam: Tuesday, May 25, 12:00 – 1:50 p.m.