



APPLIES TO ACADEMIC YEAR 2004/2005

GRA 1350 Andvendt mikroøkonomi

Program

Common Course, Master of Business and Economics Program

Responsible for the course

Erik Grønn

Department

Economics

Term

According to study plan

ECTS Credits

Objective

The objective of the course is to give the students an understanding of how the latest development in microeconomic theory can be applied to shed some light on central issues within private and public decision making. The course requires a background in the basic theory of consumers and producers behavior under various market arrangements and also a knowledge of game theory and behavior under uncertainty. These methodological approaches are used in the course to discuss implications in the markets of various forms of imperfect information, with particular emphasis on the labor market and the insurance market. A central theme in these markets, and in the whole course, is how markets handle the fact that information as to the quality of a commodity is unevenly distributed across the two sides of the market. The problem concerning how to design good incentive systems - how to make a person do what we want when behavior can not be observed - will also be discussed carefully in the course. A second application of game-theoretic concepts is found in the discussion of the strategic behavior of business firms, when they are in a competitive situation where they either want to force the competitors out of the market or they want to accommodate to the competitors in the best possible way. Finally, the course will review the basic theory of international trade - to shed some light on the longstanding discussion concerning globalization and the degree of international competitiveness.

Prerequisites

As in the first three years of the "siviløkonom"-program, that is: a full intermediate course in microeconomics plus knowledge of game theory, duopoly markets and behavior under uncertainty.

Compulsory literature

Pindyck Robert S. and Daniel L. Rubinfeld. 2004. *Microeconomics*. 6th ed. Upper Saddle River: Pearson Prentice Hall (Selected parts)

Grønn, Erik. 1999. *Forelesninger i offentlig økonomi*. Oslo: Cappelen Akademisk forl. (Selected parts)

A compendium with selected articles.

Recommended literature

Rasmusen, Eric. 2001. *Games and Information: An introduction to Game Theory*. 3rd ed. Malden, Mass.: Blackwell.

Course outline

1. Strategic market behavior
 - Accommodation or deterrence: Principles
 - Accommodation or deterrence: Applications
2. Asymmetric information
 - Moral hazard and adverse selection
 - The used car market
 - The efficiency wage model
 - The insurance market
 - Choice of product quality
 - Incentives and contracts
3. The theory of international trade

- Free trade or autarky
- International competitiveness
- Globalization

Computer-based tools

No use of computer-based tools

Course structure

36 hours of lectures

Evaluation

Three hours written examination

Evaluation code(s)

GRA 13501

Aids at the examination

A non-programmable calculator

Makeup exam

At next ordinary exam