



APPLIES TO ACADEMIC YEAR 2004/2005

SØK 2221 Economics II

Program

Bachelor of Science in Business (2. year)

Responsible for the course

Erik Grønn

Department

Economics

Term

According to study plan

ECTS Credits

6

Objective

This course is a second course in Microeconomics which discusses topics not covered in the introductory course in the second semester. The first topic is the study of markets with imperfect competition, like monopoly, oligopoly and monopolistic competition. Modern game theory and the theory of behavior under uncertainty are developed as a background for these themes. There is further on a discussion of the optimality properties of a market of perfect competition, with particular emphasis on questions of efficiency and various ethical norms to enable us to evaluate distributive questions. The concept of market failure plays a central role in the course; in the sense that an extended discussion of various forms of market failure serves as a background to understand the need for public interventions in an economy. The course ends with some themes from applied microeconomics, like economics of taxation, cost-benefit analysis and environmental economics.

Prerequisites

Economics I

Compulsory literature

Robert S. Pindyck and Daniel L. Rubinfeld. 2001. *Microeconomics*. 5th ed. Upper Saddle River: Prentice Hall. Selected parts from Part 3 and Part 4. (The book is used in Economics I)

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

Recommended literature

None

Course outline

Monopoly: The solution, efficiency loss, measures against monopoly, price discrimination.

Game theory and behavior under uncertainty. Nash equilibrium. Prisoners dilemma.

Oligopoly: The Cournot model, The Stackelberg model, The Bertrand model, Cartels

The Optimality properties of the competitive equilibrium: Pareto-optimality, Adam Smith's idea of the invisible hand, Pure exchange, the benefit of free trade.

Consumer surplus

Distributive issues and ethical norms

Market failure: Externalities, Public goods, Natural monopoly.

Applied topics: Economics of taxation, Cost-benefit analysis, Environmental economics

Computer-based tools

Computer tools are not used in this course

Course structure

36 hours of lecturing and 6 hours problemsolving.

Evaluation

A five hour individual written examination concludes the course.

Evaluation code(s)

SØK 22211 - Written exam counts 100% of the grade in the course SØK 2221 Economics II, 6

credits.

Aids at the examination

A non-programmable calculator

Makeup exam

Next ordinary exam in the course