APPLIES TO ACADEMIC YEAR 2005/2006

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 metholodigal 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 isurance 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 of out the market or they want to accomodate to the competitiors 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, duopolymarkets and behavior under uncertainty.

Compulsory literature
Books:
Grønn, Erik.. 2005. Anvendt mikroøkonomi.. Oslo: Cappelen Akademisk Forlag.

Recommended literature

Course outline

1. Strategic market behavior
    - Accomodation or deterrence: Principles
    - Accomodation 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
Re-takes are only possible at the next time a course will be held. When course evaluation consists of class participation or process elements, the whole course must me re-evaluated when a student wants to retake a exam. Retake examinations entail an extra examination fee.