



APPLIES TO ACADEMIC YEAR 2006/2007

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 distributional 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

Books:

Grønn, Erik. 2005. Anvendt mikroøkonomi. Oslo: Cappelen akademisk forl.. (Utvalgte deler)
Pindyck, Robert S. og Daniel L. Rubinfeld. 2005. Microeconomics. 6th ed. Upper Saddle River: Pearson Prentice Hall. (Utvalgte deler fra Part 3 og Part 4 - Boken brukes også i Samfunnsøkonomi I)

Recommended literature

Course outline

Monopoly: The solution, efficiency loss, measures against monopoly, price discrimination.
Game theory and behavior under uncertainty. Nash equilibrium. Prisoners dilemma.
Oligopoly: The Cournotmodel, The Stackelbergmodel, The Bertrandmodel, Cartels
The Optimality properties of the competitive equilibrium: Pareto-optimality, Adam Smiths idea of the invisible hand, Pure exchange, the benefit of free trade.
Consumers surplus
Distributional issues and ethical norms
Market failure: Externalities, Public goods, Natural monopoly.
Applied topics: Economics of taxations, 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

Simple calculator.

Makeup exam

Next ordinary exam in the course.