



APPLIES TO ACADEMIC YEAR 2008/2009

SØK 2221 Economics II

Program

Bachelor of Science in Business (2. year), Bachelor of Science in Marketing (2. year)

Responsible for the course

Erik Grønn

Department

Department of Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

Norwegian

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

Books:

Grønn, Erik. 2008. *Anvendt mikroøkonomi*. 2. utg. Oslo: Cappelen akademisk. (Utvalgte deler)
Pindyck, Robert S. and Daniel L. Rubinfeld. 2009. *Microeconomics*. 7th ed. Upper Saddle River, N.J. : 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 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.
- 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

BI-approved exam calculator. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Makeup exam

Next ordinary exam in the course.