



APPLIES TO ACADEMIC YEAR 2009/2010

## SØK 2221 Economics II

### Programme

Bachelor of Science in Business (2. year).

### Responsible for the course

### Department

Department of Economics

### Term

According to study plan

### ECTS Credits

6

### Language of instruction

Norwegian

### Introduction

### 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 reading

#### 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 reading

#### 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.

**Examination**

A five hour individual written examination concludes the course.

**Exam code(s)**

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

**Examination support materials**

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>

**Re-sit examination**

Next ordinary exam in the course.

**Additional information**

Due to changes in our Bachelor Programmes from autumn 2009, there also will be changes in every single course.

This course will be lectured for the last time autumn 2009. Re-sit exam will be offered every term from autumn 2010 even spring 2012.