



APPLIES TO ACADEMIC YEAR 2012/2013

## **ELE 3742 Market, crises and environment**

### **Programme**

Elective

### **Responsible for the course**

Atle Raa

### **Department**

Department of Innovation and Economic Organisation

### **Term**

According to study plan

### **ECTS Credits**

7,5

### **Language of instruction**

Norwegian

### **Introduction**

The course addresses key themes and recurring issues in economic organization over the past 250 years. The starting point is Adam Smith's view of the market economy in his groundbreaking work 'The Wealth of Nations', published in 1776. Then will be presented what later economists have said about the same topic. The course's pervasive theme is the market economy's opportunities and problems related to business, government and the individual's role and behavior in society. Modern economic theory that also explain the functions of the markets from information conditions and psychological factors are also taken up. How one can handle financial crises, environmental and resource challenges and unequal income distribution issues in a market economy will be also discussed in relation to the ideas that are presented in the course.

### **Learning outcome**

#### **Acquired knowledge**

- to obtain knowledge of what are the basic mechanisms of a market economy, as Smith described it.
- become aware of the assumptions that lay behind Smith's model
- get more knowledge of the consequences of different production and consumer conditions for how a market economy works.
- get more knowledge of the factors that can influence a market economy over time, especially the impact of new technology and other changes in production conditions, and income conditions and consumer habits.
- gain further knowledge of what should be the role of government in a market economy, including the how the resource and environmental challenges can be met in the best possible way.
- Learn about the role of information and communication for the market economy, including the effects of asymmetric information in markets.
- learn about the assumptions about behavior behind our actions in the markets, including full and limited rationality and the role of economic and social incentives play.

#### **Acquired skills**

- improved ability to assess and discuss the market economy's strengths and weaknesses as seen from the point of view of different interests in society.
- will be better able to see the current economic problems and proposals and how these can be handled according to economic theory.

#### **Developed reflection**

- develop greater awareness of the importance of economic institutions, economic organization and economic behavior of the public sector, business and other organizations and individuals in the society.
- develop the ability to utilize theory and practical knowledge in combination in order to reflect on what are the consequences for society, business and individuals of various forms of economic organization and human behavior in markets.

### **Prerequisites**

### **Compulsory reading**

**Books:**

Sandmo, Agnar. 2006. Samfunnsøkonomi : en idéhistorie. Universitetsforlaget

**Collection of articles:**

Atle Raa. 2012. Artikkelsamling til Marked, kriser og miljø. Handelshøyskolen BI. (Oversikt over artikler som inngår i artikkelsamlingen vil bli publisert på Its learning - og kan lastes ned elektronisk)

**Recommended reading****Course outline**

1. Introduction. Presentation of the course objectives, syllabus, content, learning and assessment methods
2. A presentation of Adam Smith's theory of the market.
3. Theories of free trade and protectionism. D. Ricardo. F. List. E. F. Heckscher.
4. The emergence of large companies and other financial organizations. Theories of imperfect competition and cartels. Principal-agent theory
5. Consumer society's influences. Conspicuous consumption. The role of marketing and advertising.
6. The development of the market economy over time. The effect of technology and innovations.
7. The development of the market economy over time. Theories of resource utilization. Ricardo, Malthus and John M. Keynes.
8. The state's role in market economy. Theories of the possibilities and limitations of the fiscal policy. Public choice theory.
9. External effects and public goods. Definition of property rights and other ways to deal with market failure.
10. The role of Information in the market economy. Incomplete / asymmetric information.
11. Rationality and bounded rationality. Psychology and economic behavior. Economic and social incentives.
12. Summary and synthesis of course content. Exam Preparation

**Computer-based tools****Learning process and workload****Use of hours****Examination****Examination code(s)****Examination support materials****Re-sit examination****Additional information**