

UNIVERSITY OF OSLO
DEPARTMENT OF ECONOMICS

Exam: **ECON4921 – Institutions and Economic Systems**

Date of exam: Monday, December 14, 2009

Grades are given: January 7, 2010

Time for exam: 9:00 a.m. – 12:00 noon

The problem set covers 1 page

Resources allowed:

- No resources allowed

The grades given: A-F, with A as the best and E as the weakest passing grade. F is fail.

Problem A (weight 1/2)

Consider a competitive industry consisting of two types of firms that only differ in their productivity. There is a fixed number of efficient firms and free entry of the less efficient firms. Firms are either organized as i) traditional capitalist firms, ii) worker-owned firms or iii) unionized firms. Worker cooperatives and unions maximize the income of their members and are internally egalitarian. Productivity is unaffected by ownership.

- i) How do employment and labor income vary across ownership structures?
- ii) Are workers better off in worker cooperatives or unions?

Problem B (weight 1/2)

Discuss which level of government that should be responsible for the provision of local public goods.