

### Essay Questions for Final Exam

Two of the following six questions will be randomly picked for the final exam. You should allocate thirty minutes of exam time for answering each question. Your grade on these answers will depend on the coherence and completeness of the answer and on your demonstrating knowledge of the material covered in this course. This part of the exam will be closed-book, closed-notes.

- (1) Pick one of the following policy debates, explain each side's position, put forth good economic arguments in support of each side, and explain which side you would support:
  - a. Giving low-income families a food subsidy.
  - b. Raising the minimum wage above the market equilibrium wage.
  - c. Increasing the federal tax on gasoline to \$1/gallon.
- (2) The two basic principles in microeconomics are the optimization principle and the equilibrium principle. Pick two examples of applying each principle and compare and contrast the members of each pair of examples.
- (3) A basic concept in economics is the utility function. Discuss the psychological assumptions underlying the utility function, give examples of possible functional forms, and explain the difference between cardinal and ordinal utility. You may choose to discuss behavioral economics critiques of the baseline model in your essay as well if that interests you.
- (4) Describe a particular product market that is not perfectly competitive and discuss which of the various models presented of oligopoly, game theory, and monopolistic competition best fits this market.
- (5) Explain the concepts of Pareto optimality and the social welfare function, give examples of particular functional forms of the social welfare function, and discuss some philosophical aspects of optimality and social welfare that interest you.
- (6) In economics, the distinction is often drawn between short run and long run effects of a given change. Give two examples of changes which have different effects (in direction and/or in magnitude) in the short and the long run and explain what these effects are.