Economics 222   Mike Lovell
Quiz #1: Post Mortem   February 17, 1998

NAME _Mr. Key_____

ANSWER *THREE* (ONLY 3) OF THE FOLLOWING FOUR QUESTIONS

1.   The 18th century French philosopher Condorcet showed that even if individual voter
        preferences were transitive a non-transitive voting paradox might arise generating "cyclical
        voting" behavior. This might lead to strategic voting behavior; it can give arbitrary power
        to the agenda setter. Almost two centuries later Duncan Black showed that the
        phenomenon would not occur if preferences were single peaked.

2.   The graph shows the utility possibility frontier for two individuals, Albert and Baker.
        Philosopher John Rawls argued that his concept of the veil of ignorance implied that
        resources should be allocated so as to maximize the position of the least advantaged, which
        implied L shaped social welfare indifference curves. Bentham argued that one should
        maximize the sum total of happiness, which implied that the social welfare indifference
        curves would have a constant slope of –1. Points JR and JB on the graph indicate their
        preferred positions.

3.   I95 and the Long Island expressway are examples of goods for which the exclusion
        principle is difficult to satisfy (tollbooths) but for which there is rivalry in consumption as
        demonstrated by the traffic congestion. Broadcast Radio and TV programs, computer
        software, and lighthouses are examples of public goods in that neither the exclusion
        principle does not apply and there is no rivalry in consumption. Note that public goods
        may or may not be publicly distributed. (Carjackers think that the exclusion principle does
        not apply to Mercedes.)

4.   For most commodities efficiency requires that $MRS_a = MRS_b = MRT$ (i.e., the marginal
        rate of substitution of Albert must equal the marginal rate of substitution of Baker must
        equal the marginal rate of transformation). Public goods are an exception. The graph on
        the Stiglitz page handout made use of the "left over curve" in demonstrating this
        proposition.

The scores ranged from 70 to 98 with a media of 86.