

Economics 4080.03M

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Midterm Exam : Wed. February 19 1997 : 11:30 am – 12:30 p.m.

Do all 3 questions. Each question counts equally. Time = 1 hour.

1. If the utility person h received from consuming a quantity x_h of a pure private good, and a quantity g_h of a pure public good was

$$U^h(x_h, g_h) = x_h + a_h \sqrt{g_h}$$

where a_h is some (positive) number, and if the marginal rate of transformation between the public good and the private good is a constant 1, what are the efficient allocations?

2. Would the problem of “cycling” [i.e. the Condorcet, or voting, paradox], which can arise under pairwise majority rule, be eliminated if a new proposal required a two-thirds majority to be adopted, instead of a “simple” majority of fifty percent? Explain briefly.

3. Is government provision more efficient than unregulated private provision for a good produced under increasing returns to scale? Explain briefly.

The End