Econ 4545: Take-home part of final: Fall 2016

It is my experience that econ majors have a hard time with the distinction between the *equilibrium allocation* and an *efficient allocation*.

Your last quiz reflected this, but it goes back to Principles of Microeconomics were you learn that, under certain conditions, the market equilibrium allocation is efficient.[1]

I put the "under certain conditions" in a smaller font, because those conditions are typically not discussed much.

In my principles course I make a point of starting with an example of an equilibrium that is definitely not efficient, so students are less inclined to confuse the two concepts.

So, with the above in mind.

Define in general the terms *efficiency* and *equilibrium*.

Then provide some examples of when the equilibrium is efficient and some examples of when the equilibrium is not efficient.

Some or all of your examples should be related to the environment.

I will grade you answer as if I were an undergraduate economics major what at least a B average in economics courses, assuming the student has not taken our course or another course where market failures play a predominant role.

So, do not say anything incorrect and explain clearly. Think about what such a student would know before they start reading your answer. So writing clearly is a critical component of the exam.

This take-home part exam will be graded out of 10 points because it is 10% of your course grade.

Please email me your answer is an attachment.

The subject line in your email, and the file name must be

"Econ4545YourName_date"

E.g. Econ4545Morey_12252016, where the date is the date you email me your answer.

I need to get your email by 8:00 am Sunday morning the 11th.

You in class part of the final is Monday at the 12th a 1:30

Possible bonus points:

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[1] Otherwise it fails (market failure)

Answer the following: When we discussed hedonics we identified the equilibrium distribution of a population across different locations (Denver, Aspen, etc.). Assess and discuss whether this equilibrium distribution of people is likely to be efficient, or not (not something we discussed in class)

The bonus question is worth 2 point, meaning you could get 120% on this part of the final.

Please do not attempt the bonus part unless you are highly confident of your answer.