

SAMPLE ONLY

DEPARTMENT OF ECONOMICS
SAN JOSE STATE UNIVERSITY
MASTER'S COMPREHENSIVE EXAMINATION

DECEMBER 2, 2005
6:30 P.M. TO 9:30 P.M.
PROCTOR: L. ORTEGA

INSTRUCTIONS:

1. Answer **ONLY** the specified number of questions from the options provided in each section. Do not answer more than the required number of questions. One hour for each section.
2. Your answers must be on the paper provided. No more than one answer per page. Do not answer two questions on the same sheet of paper.
3. If you use more than one sheet of paper for a question, write "Page 1 of 2" and "Page 2 of 2."
4. Write **ONLY** on one side of each sheet. Use only pen. Answers in pencil will be disqualified.
5. Write ----- **END** ----- at the end of each answer.
6. Write your SJSU identification number in the upper right-hand corner of each sheet of paper.
7. Write the question number in the upper right hand corner of each sheet of paper.

Section 3: Applied Economics—Answer Any Two Questions.

3A. Explain agglomeration economies of scale, and give an example. Distinguish economies of localization from economies of urbanization; give examples of each.

3B. Briefly describe Krugman's core-periphery model. What constitutes an equilibrium of the model? How can there be more than one equilibrium point?

3C. This is a several part question involving the capital asset pricing model.

(a) How does the CAPM define risk? How is it measured?

(b) Applying the CAPM, how should one manage risk without lower potential returns? You must show a graph and carefully explain your graph.

(c) Explain some of the shortfalls of the CAPM model?

3D. Argue for and against the view that criminal punishment should be based on the wealth of the offender.

3E. Use indifference curve analysis to examine the effect of an excise tax borne by consumers, making certain that you can discuss dead weight loss, and income and substitution effects in this context.

3F. What was revolutionary about the marginal revolution? Your answer should make reference to what came before and what came after.

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3G 1. Explain the development problems faced by former communist countries.

Your answer should specifically cover:

- the institutional problems faced under communism
- the problems faced while transforming to a capitalist economy
- the type of institutional environment necessary to promote development

Why is this environment necessary? What evidence is there to support this?

3G 2. “Any country whose incomes (and so output) per head are far below those of the world’s leaders enjoys a catch-up opportunity.” What government policies would enable such a country to ‘catch up’? A discussion of growth models is only part of the answer.

3H. This question is in four equally weighted parts, as indicated by the numbers in parentheses:

(1) Briefly describe the elements of market structure and their measurement. Next, use the structural concepts that are relevant to assist you in defining and explaining the following conduct cases: (2) perfectly competitive pricing (diagram please); (3) Cournot pricing (diagram please); and (4) cartels (conditions favorable to their occurrence).

3I. Outline George Stigler’s economic theory of regulation and contrast this theory with the view that regulators always act to maximize economic efficiency. Give an example of an industry where regulators seem to be acting according to George Stigler’s theory and explain what evidence might be used to confirm that his theory applies to this industry. Finally explain why regulators might be acting in this way.

3J. Explain why that, in the absence of externalities, the social benefit of an increase in the consumption of a commodity is the area under the demand curve for that commodity over the range of consumption involved in the increase. Also explain, under the same conditions, why the social cost of that increase in production and consumption is the area under the supply curves for the resources required for the commodity's production.