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

DECEMBER 6, 2019
6:00 P.M. TO 9:30 P.M.
PROCTOR: HUMMEL & LIU

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. Each section takes one hour.
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 exam 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. (Econ 212: Brady and Lombardi) Distinguish carefully between extensive growth and intensive growth, and between Smithian growth and Promethean growth. Describe and contrast specific examples of both Smithian growth and Promethean growth in the *developing* world, either during the period since 1950 or a shorter period within that era.

3B. (Econ 232: Foldvary) Answer all of the following parts completely:

a. Assuming that economic profit can be reasonably measured would a annual tax on a portion of economic profit have any deadweight loss?

b. Explain whether land rent is an economic profit.

c. Explain whether a tax on land value would impose a burden on typical new buyers of land.

3C. (Econ 166: Pogodzinski) What are the causes of homelessness? Cite both theoretical models and empirical studies.

(over)

3D. (Econ 221: Holian) Consider the following situation. Inverse market demand is given by $P = 12 - Q$, where P is the market price and Q is total market quantity. Currently there are two firms in the industry with constant marginal cost of four dollars (both firms have total costs given by $C_i = 4q_i$, where i indexes firm and $i \in \{1,2\}$.) Assume Cournot competition results when there are two firms in the market. The two firms propose to merge. If they do, the resulting firm will be a monopolist and will set price and quantity to maximize profits, however due to economies of scale total cost of the merged firm will be $C = q$, i.e. it will have constant marginal cost of one dollar. Should the merger be allowed? Calculate total surplus both cases, where the merger is and isn't allowed.

3E. (Econ 241: Deyo) Define the concept of "optimal deterrence" and evaluate it with respect to (1) tort accidents and (2) criminal activities. Use economic analysis to provide simple guidance to lawmakers and judges who wish to apply this concept to regulating and deciding cases. In what ways are penalties in the law of tort and criminal law equivalent to prices in economic theory? Are there any reasons why this equivalence may not hold in practice? Be sure to cite and use evidence from the literature in your answer.