

Loyola University New Orleans  
Department of Economics and Finance  
Econ B330-001  
Midterm Exam

Professor Walter Block  
Spring 2003  
Law and Economics

- A. Use pen, not pencil; use blue or black ink.
  - B. Apportion your time to the value of the question. Don't pour out your heart and soul on the short essays, and leave no time for the long ones
  - C. Write NEATLY. Yes, I mean you!
  - D. Good luck!
  - E. **Very Important**: Do *not* put your real name on the paper. Instead, give me a fictitious name. If I see your real name on the paper, I will take off 10 points. There will be a prize of one point for the best (e.g., funniest, most clever) pseudonym; the winner will be determined by democratic election, the same way in which we settle all intellectual issues.
  - F. **Even more important**, try to fool yourself into having fun taking this exam. Surprisingly, you'll find that you will do better, and enjoy it more.
  - G. When a question calls upon you to give two sides of an issue, try to do a good job on BOTH sides. I will award half credit for each!!!
  - H. This exam is worth 100 points toward your grade.
- I. Long Essay. Do only 4. They are worth 12.5 points each for a total of 50. You must include the Coase question. When there is the possibility of illustrating your answer with a diagram, or a chart, it would be a great idea to do so.
1. Coase question: There is a cattle rancher and a farmer, and the cows of the former roam over to the land of the latter and eat his crops. How would a Coasean judge rule, when the farmer sues the rancher? Assume both a zero and high transactions cost world. The economic statistics are as follows: The cows eat \$500 worth of crops. The cost of outfitting the cows with a long leash (which will keep them on the rancher's land) is \$300. Please note by a "B" or a "G" whether the outcome is "bad" or "good" for Coase.
  2. What is Randall Robinson's argument? What are David Horowitz's criticisms of Robinson? What are Block's criticisms of Horowitz?
  3. Make the case that since the marginal utility of money decreases, it would be efficient to transfer money from rich to poor. Criticize the case.
  4. Give both sides of the debate over the female-male pay gap. E.g., discuss the American Nurse's Assoc. v Illinois case. Give a pro and anti market perspective on this case
  5. "The employer is a parasitical exploiter of the employee. Workers' cooperatives are a good way to promote economic justice." Criticize from a libertarian point of view.
  6. Distinguish between Pareto and Kaldor-Hicks efficiency

7. Discuss the Williams v. Walker-Thomas Furniture Company case. Give a pro and anti market perspective on this case

II. IDENTIFICATIONS. Short Essay. Tell me what these are, and their significance. Give examples. Impress my socks off. Do only 10. They are worth 4 points each for a total of 40.

1. Malloy's views about the political economic philosophy of Indianapolis
2. What is the Austrian critique of transitivity as rationality?
3. economic profit vs. accounting profit
4. normative vs. positive economics
5. epfew vs epfwoev
6. why might a landlord, under rent control, leave this market even though the rent control commission grants him a 4% profit?
7. invisible hand
8. What is the debate over alienability vs. inalienability?
9. Malloy (p. 64) accuses Posner of "indeterminacy." What is Malloy's argument?
10. What is Nozick's "Wilt Chamberlain" argument?
11. Rose Fortner's contribution to the education of Prof. Block
12. Dan D'Amico's contribution to the education of Prof. Block
13. implicit contracts
14. zero sum vs positive sum game
15. Name three ways in which government obtains revenues; what is the relevance of this to an issue discussed in class?
16. quo bono vs pro bono
17. marital asymmetry hypothesis
18. the libertarian theory of payola
19. the libertarian theory of insider trading

III. Matching; worth 10 points

Match the items in list I with that of list II.

Hint: Here's how the matching would work in a simpler case:

List I

1. Love
2. Horse
3. Tweedle Dee

List II

- a. Carriage
- b. Marriage
- c. Tweedle Dum

The correct answers are

1b  
2a  
3c

Now, here are the real lists:

I.

1. libertarian
2. ex ante
3. Critical Legal Studies
4. boxer
5. public housing
6. Swedish socialist economist
7. economic development
8. left-liberal
9. Coasean
10. implicit contract

II.

- a. Gunnar Myrdal
- b. warrantee of habitability
- c. Robert Nozick
- d. Michael Spinks
- e. Hernando de Soto
- f. Marxist-Feminist
- g. Richard Posner
- h. ex post
- i. John Rawls
- j. Jane Jacobs