Market for Lemons

What is the main argument of the paper?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a
1	[wrote something]
2	information symmetry,' 'information asymmetry' [or] market, buyers, sellers
3	symmetry is good [or] asymmetry is bad
4	(a)symmetry **affects** quality of goods (/cars/lemons) [or] quality of information
5	Asymmetry results in a market where no **trades occur**

How does Akerlof support this argument?
Please be as specific as possible in your answer.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a or no other content
1	[wrote something]
2	Divide into symmetric and asymmetric groups/2 groups
3	Shows that the symmetric group is better off [or] asymmetric group is worse off
4	Compare utility functions [or] compare demand
5	Different **information / probability distributions / quality uncertainty** results in different utility/demand [or] has most of the previous levels and **has included additional steps** outside of the previous levels

In the excerpt, Akerlof focuses on two groups of traders. Briefly describe their difference and why this matters to the argument of the paper.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something]
2	Different utilities [with no coefficients mentioned] [or] one group has cars and the other does not
3	The groups are buyer/seller of cars [or] gives specific utility coefficients (1 and 3/2)
4	[The above] + this **matters** because it causes difference in demand in the market between the two groups [or] this **matters** because it shows difference in utility gained from trades
5	[The above] + this **matters** because it causes difference in demand that **results in** (**no/zero**) trades occurring

Akerlof won the Nobel Prize in 2001 for the paper from which this excerpt was taken. What do you think this paper contributed (to the field of Economics, or otherwise) to merit this award?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something]
2	**Affects** markets/market phenomenon
3	Explains market **inefficiency**/failures [or] why demand is driven to **zero**
4	Explains market inefficiency/failures **resulting from imperfect information** or information **asymmetry**
5	We can **improve** inefficiency by regulating information [or] [response relates to **why this can help current markets**]

In the section following the excerpt, Akerlof writes, "It is a well-known fact that people over 65 have great difficulty in buying medical insurance. The natural question arises: why doesn't the price rise to match the risk?" Based off of the excerpt you read, what do you think was his answer to this question?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something] [responses that include 'demand' or 'equilibrium']
2	Elderly do not know or trust the **quality of insurance** provided
3	**Asymmetric** information [AND] mentions raising price
4	Insurance providers **do not know** how healthy the elderly is
5	Price would be too high for the quality [OR] price cannot **match the risk**

These are a set of equations you encountered in the excerpt. Please interpret, to the best of your ability, what they mean and their importance & relationship to the larger position of the excerpt.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	Total demand curves, [but **also** incorrectly **mentions**] **asymmetry**
2	Total demand curves [**does not mention asymmetry**]
3	Explains what each case means (curve 1 = both have demand, curve 2 = only second group has demand, curve 3 = no demand) [or] [**mentions**] **symmetry**

What does p refer to in these equations?

Points	If response includes
0	[Anything else]
1	Price

What do the Ys refer to in these equations?

Points	If response includes
0	[Anything else]
1	Income

This is another equation you encountered in the excerpt. Please interpret, to the best of your ability, what it means and its importance & relationship to the larger position of the excerpt.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	Utility
1.5	Utility of **group 2**
2	[ALL OF THE ABOVE AND] compares with **group 1** [OR] includes the words "supply" or "demand" or "equilibrium" of "market"

What does M refer to in the equation?

Points	If response includes
0	[Anything else]
1	Consumption/utility of goods [other than automobiles]

What does x refer to in the equation?

Points	If response includes
0	[Anything else]
0.5	**Utility** of car
1	**Quality** of the [i'th] car

What is the summation over in the equation?

Points	If response includes
0	[Anything else]
1	All **cars/automobiles**

Economics of the Caste System

What is the main argument of the paper?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	N/A or nothing relevant written
1	[wrote something relevant]
2	Caste
3	Caste model/system
4	Under certain circumstances, people can break out of the caste system
5	Caste system rules make it so that people stay within it/caste equilibrium

How does Akerlof support this argument?
Please be as specific as possible in your answer.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a or no other content
1	[wrote something]
2	Includes description of 3 types of laborers, market structure
3	Gives generic structure of proof (structure, formal model, claims)
4	Gives structure of proof with specific details
5	Arrives at a conclusion: Firm trying to pay outside of the caste system will lose profit

In the excerpt, Akerlof focuses on three groups of people. Briefly describe how they are formed, their difference, and why this matters to the argument of the paper.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something]
2	Skilled, unskilled, scavenger / N, D, outcasts
3	Explains difference between the castes
4	Explains how they're formed (Response is related to production value)
5	Explains why it matters to the paper (Response is related to supporting mathematical model of the caste system/proof in equilibrium)

In the latter half of the excerpt, Akerlof focuses on the idea of caste-class equilibrium. What is the greater purpose of this section, and how can the principles he laid out be applied to another situation outside of the Caste system?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something]
2	Explains purpose of this section (vague, mentions equilibrium)
3	Explains purpose of this section (more specific, related to individual unable to disturb the balance)
4	Able to relate it to external case (but related to social structures)
5	Able to relate it to external case (creative, not related to simple social hierarchy [or] very specific and in-depth)

Akerlof writes in the introduction to this section the following:
"In Japan as merchants have become more economically successful, so too have the taboos against trade and manufacture been reduced [...] The best example of economic success reducing taboos is most probably, the elimination of the sanctions against collection of interest. The usurer of the Middle Ages has turned into the banker of today."
Why did Akerlof include these examples in the introduction, and how is it related to the excerpt?

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	[Wrote something]
2	Vaguely mentions caste and economics
3	Compares groups in the quote to outcastes
4	Mentions economic methods of modifying/changing caste system
5	People in lower levels are able to change their position through monetary means / going against the norm [or] more specificity on changing the caste system in relation to the low levels

This an equation you encountered in the excerpt. Please interpret, to the best of your ability, what it means (with as much specificity of variables as possible) and its importance & relationship to the larger position of the excerpt.

Points	If response includes… (cumulative; each point includes most information from previous levels as well)
0	n/a [or] I don't know [or] no other content
1	Mentions theta/definition of variable
2	Cannot break caste equilibrium
3	Breaking caste equilibrium

What does k* refer to in the inequality?

Points	If response includes
0	[Anything else]
1	Coalition of firms

What does the right side of the inequality represent? How (generally) did Akerlof reach this expression?

Points	If response includes
0	[Anything else]
1	Ratio of labor

The following is a quote from the excerpt: "No firm can bid a wage higher than θsc for outcaste labor and receive a profit if this bid is accepted. For a firm to pay a higher wage than θsc, it must employ outcaste labor in skilled or unskilled jobs."

What steps did Akerlof undergo to show the claim? (In other words, how did he build up to this claim?) Please be as specific as possible in your answer.

Add Points	If response includes…
0	n/a [or] I don't know [or] no other content
1	[wrote something relevant]
1	Mentions firm constraints
1	Firm is profit-maximizing / receives zero profits / nobody would purchase
1	Mentions scenario where firm pays for outcaste labor or higher for another caste
1	Mentions negative consequences of a deviation from equilibrium