

Policy Evaluation – PMAP 4061

QUIZ 2: RATIONAL MODEL

Instructor: Matteo Zullo

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1. (1 point) I am working at a research article on the factors influencing international enrollments from all world countries into Germany. I assume that prospect students would *only* compare German destinations with Austrian and Swiss destinations because the three countries share German as a medium of instruction.

The assumption accounts for:

- A. Positive externalities of German higher education on neighbor countries
- B. Informational asymmetries in higher education markets
- C. Student limited information processing
- D. Student perfectly rational information processing

2. (1 point) Simon's "satisficing" principle stands for people choosing:

- A. A policy option which suffices to maximize their utility
- B. A policy option which suffices to accomplish their goals while turning down options providing greater overall utility
- C. A sufficient number of policy options to process at a time
- D. A sufficient number of policy options to exhaust their allocated budget

3. (1 point) The government set out a carbon emission tax which would increase when economy-wide carbon emissions are higher on a given year than they were the year prior.

A game-theoretic framework is *necessary* to model the policy problem.

- A. Yes
- B. No
- C. Not necessarily
- D. Too little information to tell

4. (1 point) According to the Pareto criterion, a policy option shall be preferred when _____.

- A. The policy maximizes the utility of everyone
- B. The policy maximizes the utility of at least someone without making anyone else worse off
- C. The net present value from the associated cash flows is positive
- D. The resulting allocation of resources is generated through competitive markets

5. (1 point) High voter turnout for the 2020 US General Presidential Election in spite of large shares of mail-in ballots counts towards a verification of the "voting paradox" (i.e., it is "paradoxical" in the sense of the voting paradox and defies rational choice theory).

- A. Yes
- B. No

- C. Not necessarily
 - D. Too little information to tell
6. (1 point) Education increases public welfare by reducing crime and fostering citizen cooperation. Only public colleges, not private colleges, generate positive externalities in the economy.
- A. Yes
 - B. No
7. (1 point) Signaling purists are adamant against college subsidies. The more people go to college, the lower the “signaling power” of degrees hence their income-generating capacity. The argument put forth by signaling theorists is that:
- A. Public investments in college education generate a negative externality
 - B. Public investments in college education generate a positive externality
 - C. The competitive price for college graduates is higher when the government is not involved
 - D. Both B) and C)
8. (1 point) The health care specialist is talking “gain-of-function research” and “herd immunity threshold” at the meeting. Fellow analysts have no clue what she is talking about. This is an example of:
- A. Moral hazard
 - B. Risk aversion
 - C. Informational asymmetries
 - D. Adverse selection
9. (1 point) Because of Microsoft’s dominant position in the industry, software which is as good if not better than Microsoft’s might never reach the critical mass to be financially viable. This is an example of:
- A. Prisoner’s dilemma
 - B. Bandwagon effect
 - C. Race to the bottom
 - D. Financial dumping
10. (1 point) In some countries, doctors might only offer paid work to the public health care service. This is an example of:
- A. Oligopoly
 - B. Oligarchy
 - C. Monopoly
 - D. Monopsony