

Economics 3710
Fall 2003
Final Examination
Dr. R. Mueller

Answer both of the following questions in approximately three pages each (typed and double spaced). Your answers should be researched (the articles discussed in class can be used as a starting point). Your answers must also be properly referenced. In other words, each should be answered as if it were a three-page paper.

You are expected to work alone on this exam. I will leave it to you to enforce this amongst yourselves. Suffice it to say, I am an expert in detecting fraudulent work. If I receive two or more similar responses, this will look a little suspicious.

Your completed examination is **due Wednesday, December 10th, 2003 at 9:00 AM** at D-552. You will be penalized one-half letter grade for each day (of portion thereof) that the exam is late. This examination is worth 30 per cent of your final course grade.

1. Using economic analysis, explain why the decriminalization of marijuana could either result in a net social benefit or net social cost to Canadian society. What economic factors should be included in the cost benefit calculation? Is there evidence from other jurisdictions that can be used to guide us?

2. Reducing marginal income tax rates in Canada has been touted as policy that would reduce (if not reverse) the migration of highly skilled Canadians to the United States. Using economic analysis evaluate the likely success of such a policy in terms of achieving its objective. What does the evidence say? Also, evaluate this policy based the other consequences of implementation. Compare this to other policies with the same objective. Are these other policies likely to be more of less effective than that of reducing marginal tax rates?

Happy Holidays!!!!