

Reflection exercise 6

New Ideas from Dead Economists

January 18, 2022

- 1 What did you realize were the most important contributions Marshall made to modern Economics?

- 2 Recall what Marshall said about how to do economics: “(1) Use mathematics as shorthand language, rather than as an engine of inquiry. (2) Keep to them till you have done. (3) Translate into English. (4) Then illustrate by examples that are important in real life (5) Burn the mathematics. (6) If you can’t succeed in 4, burn 3. This I do often”. Is math essential for Economics? Support your answer with examples.

- 3 Imagine you are an economic consultant to the government. Your main job is to advise government on the potential impact of its policies. One such policy the government is pondering is levying a wealth tax on super-rich Americans. This means that every American having more than \$1 billion will pay a 2% tax on the wealth above \$1 billion. Based on what you learned from this chapter, what points would you carefully consider while analyzing the impact of this policy? Explain your argument in detail.

- 4 In the textbook, the author cites an example of cigarette tax while talking about the idea of marginal analysis. Analyze how the policy of increasing cigarette tax by 5% would impact the American economy? To do this, you must consider the price elasticity of demand for cigarettes, who consumes those cigarettes, and how those consumers will be affected.

- 5 The previous question explains the world based on facts. This is called Positive Economics. Now, let's switch to Normative economics—the questions about what we should do or should not do. Based on what you came up with in the previous question, would you advise the government to increase the cigarette tax? Explain your reasoning behind it.
- 6 Think of three everyday-life-scenarios where the idea of elasticity directly affects you. Explain how it affects you.
- 7 Let's think about marginal analysis. Imagine three real-life situations where you use marginal analysis. Now, assume you did not apply marginal analysis in those three situations. What difference would you find?
- 8 Assume, unlike in the Marshallian analysis, that the firms are not “marginal firms”. How would it affect your life as a consumer?