

Prof. Bryan Caplan  
bcaplan@gmu.edu  
<http://www.bcaplan.com>  
Econ 812

### HW #1 (please type all answers)

1. (1 page, double-spaced) Analyze the Kaldor-Hicks efficiency consequences of FCC regulation of indecent/obscene language on commercial television relative to laissez-faire. Carefully distinguish costs, benefits, transfers, and deadweight costs.
2. (1 page, double-spaced) From the standpoint of Kaldor-Hicks efficiency, answer Landsburg's question: "Do we need more illiterates?"
3. (half page) List four of your beliefs - *easily verified in an atlas or other reference source* - that you hold to be 75% probable (prior to verification). In each case, indicate whether you were right, along with the reference source. Summarize your findings in a table. How many times were you right? Are you over- or under-confident?
4. (half page) Pick an article off of Jstor (<http://www.jstor.org>) on some topic that interests you. What prior probability do you assign to the author(s)' thesis? Use Bayes' Rule to calculate your posterior probability after examining the article's evidence. Explain your calculations.
5. (half page) "All men are so detestable in my eyes  
I should be sorry if they thought me wise."  
Moliere, *The Misanthrope*

Analyze this famous line using Bayes' Rule. Specifically, under what conditions would it make sense to become *more* confident when you learn that other people disagree with you? (Hint: Prove a relationship between  $P(\text{I'm right})$  and  $P(\text{I'm right}|\text{others disagree})$ ).