Price Theory I TFUs
Practice Set 14

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1. A recent paper credits new household durables - such as dishwashers and vacuum cleaners - with much of the growth in labor force participation of married women during the 20th century in richer nations. But that hypothesis is contradicted by the sharp declines in fertility in these nations. (Final 2001)

2. If the wage bill is held fixed for di↵erent soccer teams in the same professional league, then we can conclude that there is discrimination against black players if the teams with above-average proportions of black players have higher winning percentages than other teams. (3.11.4, Core 2000)

3. The increase in health associated with new information that cigarette smoking is more harmful than previously believed will overestimate the gains to consumers from this new health information. (Core 2001)

4. In the 1950s, an antitrust suit against the single manufacturer of cellophane was correctly dismissed because the cellophane accounted for only a modest share of the market for flexible wrapping materials, even though the price of cellophane was very high. (4.9.3, Core 2000)

5. It would be welfare enhancing to subsidize firms that would compete against an existing monopolist. (4.9.4, Final 2002)

6. Since Microsoft is charging a price for Windows that is (according to some estimates) about 5 times lower than what the first order conditions for monopoly producer imply, we conclude that Microsoft does not have a monopoly in the market for operating systems. (4.10.3, Core 2000)

7. Interior house temperatures in the winter should be higher in colder climates even if individuals place the same value on higher interior temperatures in both warmer and colder climates as long as individuals can increase the energy efficiency of their homes (5.8.6, Final 2011)

8. If we learn today that there will be a subsidy to housing construction starting in five years, then housing prices will fall today and rental prices will begin to increase. (4.22.14, Midterm 2009)

9. Suppose a durable good X and a non-durable good Y have the same income elasticity, price elasticity and supply elasticity. If all consumers experienced a permanent decline of 5% in their income, then the price of Y falls more than that of X both in the short run and in the long run. (4.22.15)