

PRICE THEORY I TFUs

FINAL 2015-16

Simon Oh

1. In a competitive cigarette market, a \$1-per-pack excise tax on manufacturers would not increase market-average retail cigarette prices by more than \$1 per pack.
2. Two equally healthy persons consider the purchase of a “life annuity”—a series of cash payments to be received until the purchasers death. In a city with rent control a law that puts a maximum on what landlords can charge for housing, an increase in residents’ incomes would exacerbate the housing shortage rather than increasing the quantity of housing. One purchases and one doesn’t. True, False, or Uncertain: the person with the annuity will live longer.
3. The price elasticity of demand for a supplier’s product can help measure the degree of market power possessed by that supplier.
4. An increase in both employment and wages among women, relative to men, indicates that the relative demand for female labor has increased.
5. If white workers do not like working with black workers, that would depress black workers’ wages.
6. Requiring employers to provide health insurance to their employees has a lot of the same effects as taxing employment.
7. A reduction in the productivity of Illinois farm land would increase the number of acres in the state used for farming, especially to the degree that households’ demand for food is price inelastic.
8. Computer manufacturing tends to be less volatile than housing construction because the depreciation rate is lower.
9. In a city with rent control a law that puts a maximum on what landlords can charge for housing, an increase in residents’ incomes would exacerbate the housing shortage rather than increasing the quantity of housing.
10. Prices set by monopolists or oligopolists should be adjusted to reflect what they would be under perfect competition before they are included in a price index (for the purpose of measuring changes in consumer living standards).