

# PRICE THEORY I TFUs

## CORE 2015-16

Simon Oh

1. Automobile manufacturers are updating their technologies for locking vehicles to prevent theft. A truly theft-proof locking system would be unfortunate for them, because then they would lose the future automobile sales associated with additional updates to the locking systems.
2. For a competitive industry, a lump sum tax (that requires each firm in an industry that produces a positive level of output to pay a fixed annual amount to the government) will be more efficient than a per unit tax (that taxes each unit of output produced a fixed amount) if the two tax systems raise the same amount of revenue for the government.
3. Factor-augmenting technical progress can change relative factor rental rates, but it cannot actually reduce any of the rental rates (relative to the price of output).
4. A great many manufacturers use machines and labor in fixed proportions. That is inconsistent with an industry or economy wide aggregate Cobb-Douglas production function.
5. An improvement in the quality of cell phones produced by one cell phone manufacturer would be expected to reduce the sales of other cell phone manufacturers cell phones.
6. Making it easier to quit smoking (say by the introduction of a new pill that reduces the negative effects of quitting) can increase the number of smokers and the total quantity of cigarettes smoked.