Price Theory I TFUs
Practice Set 13

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1. Suppose an exogenous influx of immigrants into California increases the market price of California housing. Then those considering moving to California are more affected by the price change than those considering leaving California. (3.9.8)

2. A monopolistic producer of a new good X that is habitual to consumers may initially price X below its stationary and constant marginal costs, but the producer will not price in this way indefinitely. (Core 1994)

3. A criminal can be penalized either by a fine if caught or by the probability of being caught. If the expected fine is held constant, the criminal's utility is reduced by raising the fine if caught. (3.21.3, Core 1992)

4. Legalizing drugs can increase the equilibrium consumption of drugs. (3.21.4, Core 1997)

5. If the rate of time preference declines with the level of consumption then a one-time increase in productivity will reduce the level of interest rate in the long run. (4.8.5, Midterm 2014)

6. A subsidy to new housing construction will reduce the rental price of housing more in the short run than in the long run. (4.22.9)

7. An expected future increase in demand for a good can lower price today. (4.22.11, Core 1999)

8. Higher interest rates will lead to both higher rental rates on houses and higher housing prices. (4.22.12, Final 2000)

9. The fact that more educated people work more hours than less educated people implies that education raises market productivity more than household productivity. (5.5.4, Core 2008)