

PRICE THEORY I TFUs

CORE 2016-17

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1. A subsidy to the production of ethanol from corn would likely benefit corn farmers by more than the amount of subsidy even though some of the benefits from the subsidy will go to ethanol consumers.
2. An anticipated subsidy to future housing construction will raises housing rental rates in the near-term even though it will reduce housing prices and housing rental rates in the long term.
3. Higher costs for labor will reduce measured profits for an industry with constant returns to scale if there are adjustment costs to capital.
4. Stricter enforcement of drug trafficking laws will reduce the profits of drug suppliers and induce suppliers to exit the industry.
5. A finding that the use of bus travel declines in response to an exogenous increase in wage rates (holding all goods prices fixed) generated by a randomized experiment, i.e. than an experiment increases the wages for a random group from a sample of workers without affecting the wages (or use of bus travel) for the control group, would be good evidence that bus travel is an inferior good for this group of individuals.
6. Individual-level labour supply elasticities are likely to exceed the corresponding macro-level responses because there is less substitution possibilities in the aggregate.