12/7

Price Theory I TFUs
Core 2013-14

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1. A 10% increase in the wage rate due to technological progress in the non-household sector combined with a 10% increase in household productivity across all household commodities would increase real household income by 10%.
2. (Becker Stuff - Omitted)
3. (Becker Stuff - Omitted)
4. Suppose that some consumers underestimate the value received from a good and as a result purchase less of that good than they would otherwise. If a small number of consumers underestimate the value of the good then those consumers will be worse off but if many consumers do so they may all be better off.
5. Many low income areas suffer from a lack of policing. A law which mandates that the government provide greater levels of policing would make residents of those communities better off if the increased police activity is financed by taxes on third parties (i.e. individuals that do not live in the community).
6. A new invention which makes capital goods more durable that applies to both new capital goods produced as well as the existing capital stock would reduce rental prices for the capital good in the long run but would have an uncertain effect on long-run capital good prices.
7. A law that limits the annual catch of fish by stopping fishing once a set limit has been reached for the year would lower the price of fish relative to a system that yields the same annual catch by taxing fish.
8. (Becker Stuff - Omitted)
9. With two factors and CRS, capital augmenting technological progress will benefit workers in both the short-run (capital fixed) and the long-run (a constant real return to capital) and the benefit to workers will be greater in the long-run than in the short-run.