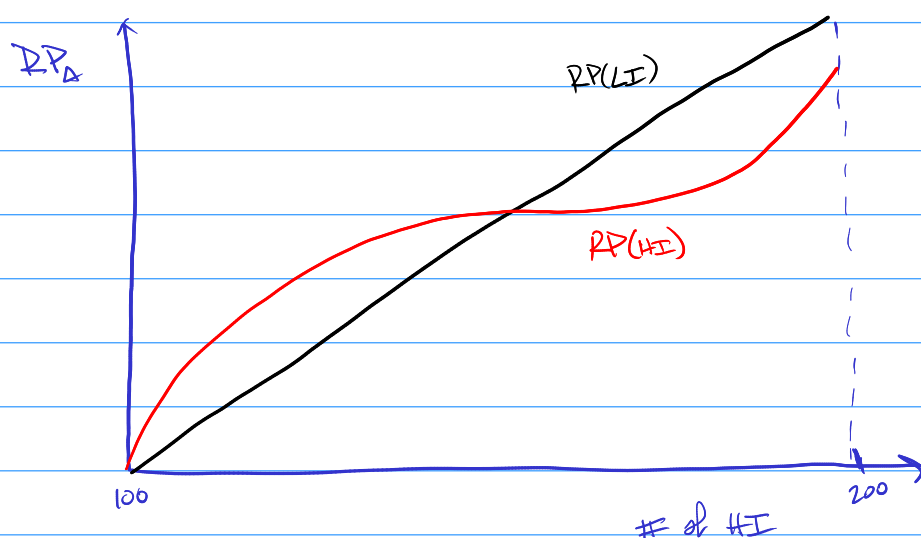


Quiz 03: Neighborhood Sorting

Suppose we have two neighborhoods, A & B. Each has 200 lots. There are two types of HH: High Income (HI) & Low Income (LI). The rent premium for living in neighborhood A is depicted by:



(3 pts) (I) On the graph label each Equilibrium as either Full integration, Full segregation, or mixed
(Redraw ^{Graph} or draw over pdf)

(3 pts) (II) Explain why or why not a Full segregation equilibrium exists. Write a (short) coherent argument using complete sentences

(4pts)

(11) Of the equilibrium you labelled, which are stable & unstable?

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