

SA422 HOUSING ECONOMICS AND FINANCE 2008/2009

Seminar Problem Set 1

(For discussion in Seminar 1 in Week 4,
30 October 2008 10:00 – 11:15 in E304)

Please prepare notes before the seminar

1. (a) Why is it impossible to provide all the housing people want?
(b) Why is it undesirable to provide all the housing that people want?
2. Explain what is meant by opportunity cost. Under what circumstances is price a reasonable measure of that opportunity cost?
3. Why, in a market system, might we expect households to maximise utility and firms to maximise profit?
4. Explain how a free market would determine:
(a) how much housing is produced?
and
(b) who would get that housing?
5. Under what circumstances, if any, would you be prepared to allow the free market to provide and allocate all housing?
6. (a) For what reasons would you want the government to intervene in the housing market?
(b) What types of policy instrument might help achieve these objectives? Give examples.
(c) Take one example of a policy and explain in economic terms how it works to change the way the market operates.