

TOPIC 2.3.: PUBLIC SPENDING ON HOUSING

EXERCISE 1

Explain using a supply and demand graph the kind of effects generated by an increase in expectations: future prices will continue falling in the next two years.

EXERCISE 2

Explain what kind of effects a cut in the number of subsidized housing (Official Protection Housing-OPH) have in the long term from the perspective of equilibrium in the housing market, as well as its price and quantity.

EXERCISE 3

Explain what kind of effects a rent control or a setting of maximum price has on homeownership in the long term from the perspective of equilibrium in the housing market, as well as its price and quantity. What kind of scarcity would be created? Would social rentals be a solution, as is the case in many European countries? Justify your answer.

EXERCISE 4

Choose the correct answer for each of the following questions. There is only one correct answer:

- 1) In the housing market:
 - a) The adjustment is done through quantities in the short term and then it is through quantities in the long term.
 - b) The adjustment is done through prices in the short term and then through quantities in the long term.
 - c) The adjustment is done through quality in the short term and then through prices in the long term.
 - d) None of the above answers is correct.
- 2) The supply curve for housing is affected by the following factors:
 - a) Future price, expectations about current prices and input prices.
 - b) Future price, expectations about current prices and output prices.
 - c) Current price, expectations about future prices and input prices.
 - d) None of the above answers is correct.
- 3) In the short term:
 - a) The supply of housing is more flexible than in the long term.
 - b) The supply of housing is more rigid than in the long term.
 - c) The supply of housing is more elastic than in the long run.
 - d) None of the above answers is correct.
- 4) In the housing market:
 - a) There are convexities in production.
 - b) There are no concavities in production.
 - c) There are no convexities in production.
 - d) None of the above answers is correct.

- 5) The production of housing services includes the following processes:
- a) Construction, maintenance and rehabilitation.
 - b) Construction, maintenance, rehabilitation and structuring.
 - c) Construction, maintenance, rehabilitation and conversion.
 - d) None of the above answers is correct.