

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

Econ Club meets Thursdays at 11:00 in Morlan 103. You need not be a major in the department to attend. Attendance can help you with networking. That will help you meet upper-class students who can help you with courses and maybe with a job later.

- 1) (10 points) Why is the  $MR \neq P$  for monopolies? Explain your logic.
- 2) (30 points) Draw the ATC/AVC/MC/D/MR diagram for a monopoly. Find the quantity they produce and the price they charge. Explain how you found the quantity and price. Why isn't that the socially optimal quantity and price?
- 3) (10 points) Why must there be barriers to entry for a monopoly to exist?
- 4) (15 points each) For each of the barriers to entry below, explain how that enables a firm to keep its monopoly.
  - A) Economies of scale.
  - B) Patent
- 5) (20 points) Perfect price discrimination has one good aspect and one bad aspect. What are they?