

The last one!

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.

1) (40 points) Draw the ATC/AVC/MC/D diagram for a monopolistically competitive firm which is making positive profits. Find the quantity produced and the price charged. Explain how you found them and how you know they are making profits. Illustrate what happens over time. Explain why the curve(s) moved as drawn. Find the new price and quantity produced.

2) (45 points) Suppose the industry demand curve is given by $P = 100 - 2Q_i$ and the firms' marginal cost curve is given by $MC_i = 4$. Draw the D/MC diagram to find the Cournot firms' best response functions. Plot them. Use that to find the equilibrium levels of output for the two firms and the industry price.

3) (15 points) Suppose the following table represents the sales of the firms. Calculate CR4, CR8, CR10, and the HHI. Show all work and briefly explain how you did it.

Firm	1	2	3	4	5	6	7	8	9
Sales	50	50	100	100	100	200	300	500	600