

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you one 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 ten points. If you do double-sided printing or print on the back of scrap paper, I will give you one additional point.

This assignment is due on Monday because there is no class on Friday.

The syllabus says it is due Wednesday, 4/4, but to give you more than two days, I changed it.

- 1) (40 points) Draw side-by-side two diagrams. The first diagram is the supply and demand for a perfectly competitive industry. The second diagram is the SRMC/SRAVC/SRATC diagram for a firm in that industry who is losing money but staying in business. Illustrate on the diagrams what will happen over time. Explain why the curve(s) moved as drawn and how you know the firm is losing money but staying in business. Assume the industry is a constant cost industry.
- 2) (5 points) On Page 337, it appears that points H and A' are at the same height. Why is this wrong?
- 3) (15 points) What is the firm's short-run supply curve? Why is that the supply curve?
- 4) (25 points) Draw a short-run S/D diagram for a perfectly competitive industry which produces a good we export. Show the level of exports on the graph. What would happen if the US\$ appreciated? Illustrate that on the diagram and explain why the curve(s) moved as drawn. What happens to the volume of exports? Explain your logic.
- 5) (15 points) What is the economic reason why the long-run supply curve for a perfectly competitive industry may be upward sloping? Explain how that would cause it to slope up.