

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) (15 points) Draw the supply and demand diagram for a good we export. Find the level of exports and prove you found the correct amount.
- 2) (15 points) Why is $MR < P$ for monopoly and all other firms with a downward sloping demand curve?
- 3) (25 points) Draw a D/MR/ATC/MC diagram for a monopoly. Find the quantity they produce, the price they sell for, and their profits. Explain how you found them. Prove that from the view of society, they are not producing the optimal quantity.
- 4) (5 points) What is wrong with every graph in Chapter 8 except for Figure 8-5?
- 5) (40 points) Draw the D/MR/ATC/AVC/MC diagram for a monopolistically competitive firm which is losing money but staying in business. Find the quantity produced and the price charged. Explain how you found them. Prove the company is losing money. Illustrate what happens over time. Explain why the curve(s) moved as drawn.