

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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) (20 points) Draw the ATC/AVC/MC/D diagram for a monopoly. Find the quantity produced and the price charged. Explain how you found them. Find the dead-weight loss and the profits. Explain how you found them.

2) (30 points) Draw the ATC/AVC/MC/D diagram for a monopolistically competitive firm which is losing money but staying in business. Do not worry about showing the profits, the graph will be too messy. Find the quantity produced and the price charged. Explain how you found them and how you know that they are making positive profits. Illustrate what will happen over time. Explain why the curve(s) moved as drawn. Find the new quantity produced and new price charged.

3) (20 points) Draw the ATC and MC curves for a monopoly. Add to it two demand curves to prove that the monopoly has no supply curve. Explain how your graph shows they have no supply curve. (The same logic applies to all firms facing a downward sloping demand curve.)

4) Suppose an industry has firms with the following sales volume.

A	B	C	D	E	F	G	H	I
40	40	40	80	200	400	400	400	400

A) (10 points) Find the CR4, CR8, and CR10. Show all work. If there is none, state how you found it.

B) (10 points) Calculate the HHI. Show all work.

C) (10 points) According to DOJ guidelines, if firms D & E wanted to merge, should they be allowed to? Show all work and explain your logic.