

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (30 points) Derive a firm's LRATC curve from its isoquant/isocost diagram. Explain how you got the specific numbers you used in the LRATC diagram.
- 2) (30 points) Draw a firm's LRATC curve and a series of SRATC curves for the same firm. Explain why the SRATC curves relate to the LRATC curve as you drew them.
- 3) (20 points) Explain why the LRMC curve is not the envelope of the SRMC curves.
- 4) (20 points) Draw a LRATC curve that explains why the new technology costs more initially than it does later on.