

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) Draw the firm's MC/ATC (supply and demand) diagram for the short-run profits. Draw the corresponding industry supply and demand diagram. Explain how you know that the former diagram shows profits. Illustrate how the situation will change in the long run on both diagrams. Explain why the curve(s) moved as drawn.
- 2) (20 points) Draw the MC/ATC/AVC/D/MR diagram for a monopoly. Explain how you found the monopoly output and price.
- 3) (15 points) Why is $P = MR$ for perfect competition, but $P > MR$ for a monopoly?
- 4) (20 points) Draw the perfectly competitive industry supply and demand for an industry that produces a good we export. Show the level of exports. Explain how you determined the exports.
- 5) (15 points) At what price level will a firm shut-down in the short-run? Why is that the shut-down point?