Wilf Csaplar Jr.   Economics 280   Homework #8   Due 11/9

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) (20 points) Explain why the MR Curve is the same as the Demand Curve for a firm in a perfectly competitive market, but not the same for a monopoly.

2) (40 points) Draw the industry supply and demand for a perfectly competitive industry. Beside it draw the ATC/AVC/MC/D diagram for one firm which is making positive profits in that industry. Illustrate what happens over time on both diagrams. Explain how you know the firm is making positive profits and why the curves moved. What happens to the price and quantity sold by the industry and the firm?

3) (30 points) Draw the ATC/AVC/MC/D diagram for a monopoly. Find the price they charge and the quantity they sell. Draw the areas which represent profits and dead-weight losses. Explain how you found the price, quantity, profits, and dead-weight losses.

4) (10 points) What is the lowest price a firm will stay in business in the short-run? Why will they stay in business then but not at any lower prices?