

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 10 points. 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.

After consulting with Dr. Honsowetz, I have slightly changed the syllabus. After Chapter 25, we will do Chapters 26 then 28 rather than 28 and 29. So, change 28 to 26 and 29 to 28 on your syllabus.

1) (25 points) Draw the D/ATC/AVC/MC diagram for a monopolistically competitive firm which is losing money but staying in business. Explain how you know they are losing money. What will happen to this diagram over time? Illustrate those effects and explain why the curve(s) moved as drawn. What happens to the price, quantity, and losses?

2) (10 points) Why don't monopolistically competitive firms make any profits in the long-run? Does that mean they produce at the minimum of the ATC? Explain your logic.

3) (15 points each) Your book lists three types of goods and three types of advertising. For each of the following types of goods, explain what the term means and give an example. If you were a firm producing the good in your example, would you use direct marketing, mass marketing, or interactive marketing? Explain your logic.

- A) Experience goods
- B) Search goods

4) (15 points) Find the Nash equilibrium and the cooperative equilibrium. Explain how you found them.

		Less Than Jake	
		High Price	Low Price
Dropkick Murphys	High Price	11 15	12 9
	Low Price	7 16	8 13

5) (20 points) Use the table below to calculate the HHI and the CR4. Show all work. The numbers are the sales of the specific firms.

Firm #	1	2	3	4	5	6	7	8	9
Sales	10	10	80	100	100	100	100	200	300