Wilf Csaplar Jr.   Economics 163   Homework #8   **Due Thursday 11/3**

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.

1) (25 points) Draw the ATC/AVC/AFC/MC diagram for a firm. Illustrate the effects of an increase in the cost of raw materials. Explain why the curves moved as drawn.

2) (25 points) Draw the ATC/AVC/AFC/MC diagram for a firm. Illustrate the effects of an increase in the property tax. Explain why the curves moved as drawn.

3) (25 points) Draw the LRATC curve and three SRATC curves. What is the relationship between the LRATC curve and the SRATC curves? Why does it have that relationship?

4) (10 points) Why isn't the LRMC curve the envelope of the SRMC curves?

5) (15 points) Draw the demand curve for a perfectly competitive firm. Why does it take that shape? What does the MR curve look like? Explain why it takes that sahpe.