

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (15 points) Explain the economic reason why the marginal revenue curve for a monopoly is not the demand curve. (Note, the same reason is why the  $MR \neq P$  for all imperfectly competitive firms.)

2) (25 points) Draw normally shaped SRATC/SRAVC/SRMC/D/MR diagram for a monopoly. Illustrate the quantity, price, and profits, on the graph. Explain how you found each variable.

3) (35 points) Draw normally shaped SRATC/SRAVC/SRMC/D/MR diagram for a monopolistically competitive firm which is making money. Illustrate what happens over time. Explain why the curve(s) moved as drawn.

4) (15 points) Use the table below to calculate the CR4, CR8, CR10 and the HHI. Show all work and briefly state how you did it. The numbers represent levels of output and all firms are listed.

Firm	1	2	3	4	5	6	7	8	9
Output	10	10	10	10	20	20	30	40	50

5) (10 points) It is possible for an industry to have high concentration ratios and a high Hefindahl-Hirschmann Index, yet still not be able to raise their price much or at all? Why is that?