

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) Draw the supply and demand for bananas for the USA. Illustrate the level of imports. Explain how you knew we imported bananas by looking at the graph.
- 2) (10 points) If today the exchange rate is $\$1.2/\text{i}$ and tomorrow it was $0.5 \text{ i}/\text{\$}$, then which country's currency appreciated? Show all work and briefly explain your logic.
- 3) (25 points) Draw the ATC/MC/D diagram for a monopoly which is making money. Find the profit-maximizing output, price, and profits. Explain how you found each of them.
- 4) (25 points) Draw an ATC/MC/D diagram for a monopoly. Using two different demand curves, prove the monopoly has no supply curve.
- 5) (25 points) Draw the ATC/MC/D diagram for a monopolistically competitive firm which is making money. Draw what will happen over time. Explain why the curves moved as drawn.