Wilf Csaplar Jr.   Economics 280   Homework #8   Due Wednesday 04/12
<div align="center">Last One!</div>

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.

**Seniors taking comps should contact me to arrange to take exam #4.
It must be taken next week, i.e. the week this assignment is due.**

1) (25 points) Draw the *Kinked Demand Curve*, explain why it takes that shape. Draw a marginal cost curve and any other curve necessary to determine how much the firm will produce. Find their level of production and explain why it is not likely to change when costs change.

2) (50 points) Draw the D/MC diagram for a Cournot duopolist with an industry demand of $P = 72 - Q$ and a $MC = 12$. Use it to derive the firm's *best response function*. Draw the two firms' best response functions. Find each firm's output and the price the product is sold for.

3) (25 points) Draw the MC/ATC/D diagram for a firm in a cartel and a MC/D diagram for the cartel. Use this diagram to explain why cartels tend to fall apart.