

The Last One!

Place your name on the back of this sheet of paper and nowhere else. Staple your answer sheet face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. 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.

Instead of doing this assignment, Seniors taking *comps* will take an exam on either Thursday or Friday depending upon when all of you can it. Please meet with me after class. It will cover the breakeven analysis and DOL material from Chapter 7, all of the material from Chapter 8, and Section 9.1. Look at old review sheets for Exam 3 for the Chapter 7 material and old review sheets for the Chapter 8 and 9.1 material.

1) (30 points) Draw the ATC/AVC/MC/D diagram for a monopoly which is making positive profits. Find the quantity produced, the price charged, and profits. Explain how you found each of them. Prove that the firm is not producing at the socially optimal point.

2) (30 points) Draw the ATC/AV/MC/D diagram for a monopolistically competitive firm which is losing money but still in business. Explain how you know they are losing money, but should not shut down. Illustrate what happens over time. Explain why the curve(s) moved as drawn. What happens to the price charged and quantity produced?

3) Use the table below to answer the following questions.

Firm	A	B	C	D	E	F	G	H	I
Sales	5%	5%	5%	5%	10%	10%	10%	20%	30%

A) (20 points) Calculate the CR4, C8, and CR10. Show all work. Calculate the HHI showing all work.

B) (10 points) Suppose firms E & F decided they wanted to merge. Should they be allowed to merge? Explain your logic and show all calculations.

4) (10 points) Question #3 makes it seem simple to decide on whether or not two firms should be allowed to work. Why isn't it so simple? Explain your logic.