

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 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.

1) (35 points) Draw the ATC/AVC/MC/D/MR diagram for a perfectly competitive firm which is losing money but staying in business. Explain how you know they are losing money but staying in business. Beside it draw the supply and demand for the industry. Illustrate what will happen over time on the two graphs. Explain why the curve(s) moved as drawn.

2) (10 points each) For each industry, determine which type of market it is, perfectly competitive, monopolistically competitive, oligopoly, or monopoly. Explain your logic.

A) College education

B) Automobiles

C) Corn

3) (20 points) Draw the supply and demand for a good which we trade. Draw the world price above the equilibrium. Do we import or export that good? How can you tell?

4) (15 points) Why does $MR=P$ for perfectly competitive firms but $MR<P$ for all other firms?