Wilf Csaplar Jr.   Economics 163   Homework #9   **Due Friday 4/28**

The Last One!

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 10 points. 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) (25 points) Draw the ATC/AVC/MC/D diagram for a monopolistically competitive firm which is making positive profits. Find the quantity sold and price charged. State how you found the price and quantity. How do you know they are making positive profits. Do NOT draw the profits because the diagram will be too hard to read. Illustrate the effects of the market moving towards the long-run equilibrium. Explain why the curve(s) moved as drawn. What happens to the price and quantity sold?

2) (25 points) Give an example of a search good, but not an example used in class or from the book. Explain why it fits that definition. If you were making that good, would you use direct marketing, mass marketing, or interactive marketing? Explain your logic.

3) (25 points) It is said that a monopolistically competitive industry is less efficient (costs more to produce) than a perfectly competitive industry. Explain the logic as to why this is the case. Chamberlain said that this is not a cost. Explain his logic. Do you agree with him or not? Explain your logic.

4) (25 points) Give an example of a credence good, but not an example used in class or from the book. Explain why it fits that definition. If you were making that good, would you use direct marketing, mass marketing, or interactive marketing? Explain your logic.