

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.

Note, this assignment is due on Wednesday because I will not be in class on Friday 3/15.

- 1) (30 points) Draw the ATC/AVC/AFC/MC diagram for a firm. Illustrate the effects of an increase the wages of the assembly line workers. Explain why the curve(s) moved as drawn, including how you determined which type of cost that was.
- 2) (30 points) Draw the ATC/AVC/AFC/MC diagram for a firm. Illustrate the effects of an increase the salary of the CEO. Explain why the curve(s) moved as drawn, including how you determined which type of cost that was.
- 3) (30 points) Draw the ATC/AVC/AFC/MC/D diagram for a perfectly competitive firm who is losing money, but staying open. Beside it, drawn the industry S/D diagram. Find the price, the quantity produced by the firm, the quantity produced by the industry, and losses. Explain how you found the losses and prove the losses would be bigger if they shut down.
- 4) (10 points) Why will perfectly competitive firms make zero profits in the long run?