Wilf Csaplar Jr.   Economics 280   Homework #8   Due 4/12

The last one!

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. Failure to follow these directions will cost you 1 point on the assignment.

1) (25 points) Draw the ATC/MC/D/MR diagram for a monopolistically competitive firm that is making positive short-run profits. Explain how you know they are making profits. Illustrate what will occur over time. Explain why the curve(s) move as drawn.

2) (20 points) Prove that a monopoly will produce with a dead-weight loss. Explain your graph.

3) (15 points) What is the economic reason that a monopoly does not have a supply curve?

4) (20 points) Suppose that the firms in the industry have the following sales:

A	B	C	D	E	F	G	H	I	J	K	L	M
100	100	100	100	200	200	200	200	500	500	500	600	700

What are the values for the HHI, CR4, and CR8? Show all work and give a brief explanation for each calculation.

5) (20 points) This question is modified from a question in the book. Unisex International Haircutters, Inc, faces the following demand function for haircuts per day: $Q_D = 240 - 20P$. The optimal level of production is $Q = 80$. At that quantity, SRATC = $10/haircut, and SRAVC = $6/haircut. Should this firm stay open? Explain your logic and show all work.