

Lecture 11 In-Class Problems

1. GLS Chapter 8, Question 8

Pay attention to the hint in part (c). Think about when the firm will and will not produce; also consider the lowest possible price at which the firm is willing to sell.

Also, for part (d), it is sufficient to get the right formula for Q without solving for a specific Q . Solving for an exact Q requires the quadratic formula, with which you need not bother.

2. GLS Chapter 8, Question 13

Do only through part (c).

3. Entry Over the Long Run

Use a few paragraphs to describe an industry that made positive economic profits over the short (or medium) run and where those profits were destroyed by entry. Alternatively, you can name a modern industry that you think is currently earning positive economic profits, and where entry is likely.