ECON 107
Quiz 9
This quiz will last 10 minutes.

1. *(7 points)* **Honor Statement:** Please read and sign the following statement:

   I promise that my answers to this test are based on my own work without reference to any notes, books, or the assistance of any other person. I will also neither help others nor use a calculator or other electronic aid for calculation.

   Name and Surname: _

   Student ID: _

   Signature:

   _

2. *(5 points)* In the graph below illustrate the benefit and cost of increasing your output for a monopolist. Quantify each area, though you can ignore the small triangle.
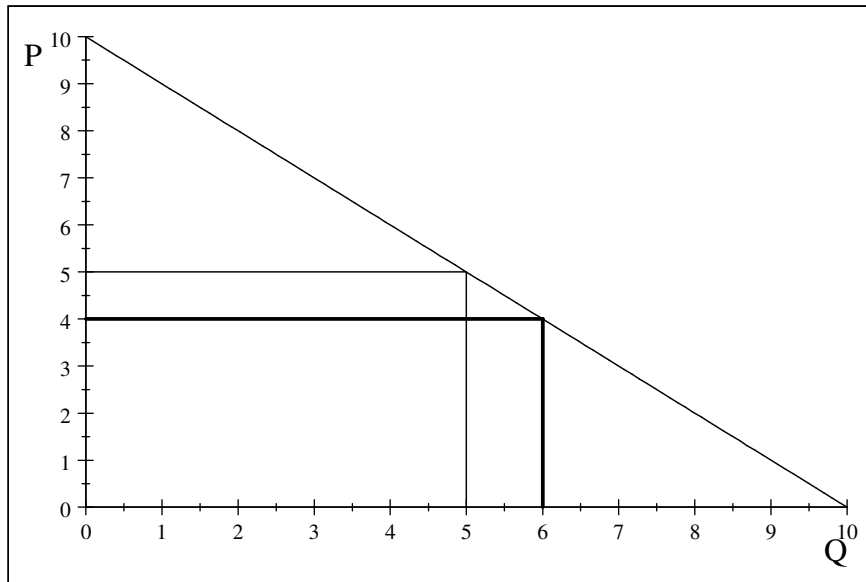
Solution 1 *In this graph the downward sloping curve is the demand curve* $(10 - P)$, *and the light vertical and horizontal line indicate the revenue when* $Q_o = 5$, *the dark when* $Q_n = 6$.

If I could I would add the following areas to the graph:

$$
\begin{aligned}
Gain &= P_n \left(Q_n - Q_o \right) = 4 \left(6 - 5 \right) = 4 \\
Loss &= \left(P_n - P_o \right) Q_o = \left(4 - 5 \right) 5 = -5
\end{aligned}
$$

*The **gain** is the lower right hand rectangle, the **loss** is the upper left hand rectangle. These are the cost and benefit of increasing output for the monopolist.*

3. *(5 points)* In the long run we expect consumers to pay all of a tax, explain why *without* discussing the elasticity of demand.

   Solution 2 *In the long run due to entry and exit firms make zero profit, thus they cannot share part of that profit to pay for a tax, so consumers must pay it all.*

4. *(3 points)* Standard feedback questions:

   (a) Out of ten, my level of comprehension of the material covered this week is:

   (b) My favorite topic of the week was:

   (c) The topic I understood the least this week was: