

Homework 5

Due on 18/2/2025, by 23:00

This assignment is optional but **STRONGLY RECOMMENDED**. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G13-14-15-16'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers **AGAIN** or else the system will grade the unfinished attempt with 0 (because it is the last one) and there is **NOTHING** I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

1. Which of the following is most likely to be true for monopolistically competitive markets? [9p]
 - A. Both S-R and L-R profit can be positive.
 - B. Both S-R and L-R profit is zero.
 - C. S-R profit can be positive, but L-R profit is zero.
 - D. S-R profit is zero, but L-R profit can be positive.
2. The air-conditioner industry most likely belongs to which of the following market structures? [9p]
 - A. Perfect competition.
 - B. Monopolistic competition.
 - C. Oligopoly.
 - D. Monopoly.
3. Which of the following market structures brings about zero DWL, given the same demand and cost curves? [9p]
 - A. Perfect competition.
 - B. Bertrand oligopoly.
 - C. Both A and B.
 - D. None of the above.
4. Which of the following is most likely to be true in a kinked-demand industry? [9p]
 - A. If a firm drops its price, other rivals may begin price war.
 - B. If a firm increases its price, other rivals may begin price war.
 - C. Both A and B.
 - D. None of the above.
5. Which of the following is a characteristic of monopolistic competition? [8p]
 - A. Barriers to entry.
 - B. A unique product.
 - C. Small number of firms.
 - D. DWL.

Scenario 5.1: Firm 1 and firm 2 share a market with demand $p = 1,600 - 5Q$, where Q denotes the total quantity sold in the market. Each firm's cost is $FC = \$2,000$ and $MC = 100$.

6. According to scenario 5.1, how much would each firm produce, if the firms competed in quantities? [8p]
- A. Around 25 units.
 - B. Around 50 units.
 - C. Around 75 units.
 - D. Around 100 units.
 - E. Around 125 units.
 - F. Around 150 units.
7. According to scenario 5.1, what will the profit for each firm be, if the firms competed in quantities? [8p]
- A. Around \$10,000.
 - B. Around \$20,000.
 - C. Around \$30,000.
 - D. Around \$40,000.
 - E. Around \$50,000.
 - F. Around \$60,000.
8. According to scenario 5.1, how much would each firm produce, if the two firms colluded? [8p]
- A. Around 25 units.
 - B. Around 50 units.
 - C. Around 75 units.
 - D. Around 100 units.
 - E. Around 125 units.
 - F. Around 150 units.
9. According to scenario 5.1, what would profit be for each firm, if the two firms colluded? [8p]
- A. Around \$15,000.
 - B. Around \$25,000.
 - C. Around \$35,000.
 - D. Around \$45,000.
 - E. Around \$55,000.
 - F. Around \$65,000.
10. The two firms in scenario 5.1 collude but firm 1 alone decides to cheat. How much will firm 1 produce? [8p]
- A. Around 50 units.
 - B. Around 70 units.
 - C. Around 90 units.
 - D. Around 110 units.
 - E. Around 130 units.
 - F. Around 150 units.

11. The two firms in scenario 5.1 collude but firm 1 alone decides to cheat. How much will the profit for firm 1 be given that firm 2 indeed does not cheat? [8p]
- A. Around \$10,000.
 - B. Around \$20,000.
 - C. Around \$30,000.
 - D. Around \$40,000.
 - E. Around \$50,000.
 - F. Around \$60,000.
12. The two firms in scenario 5.1 collude but firm 1 alone decides to cheat. How much will the profit for firm 2 be given that it indeed does not cheat? [8p]
- A. Around \$10,000.
 - B. Around \$20,000.
 - C. Around \$30,000.
 - D. Around \$40,000.
 - E. Around \$50,000.
 - F. Around \$60,000.

Good afternoon! If you had a chance to take a red pill and automatically wake up on the morning of your graduation being able to receive the SMU Bachelor's degree without having to go through any classes and nobody would ever know about it, would you take it? What is the primary reason you enrolled in SMU, the degree or the knowledge? Have you ever really observed those around you who have already succeeded in whatever you want to succeed? What mattered more in their success: their knowledge and experiences or their titles? Why will an employer hire you: for your skillset or for your diplomas? Why will a potential client give you their business and money: just because you are a university graduate? Why will your friends appreciate your company: for your intellectual capacity or because you are an SMU alumnus? Think about all those questions. The answers may help you understand where you are heading in life. Kosmas