

Homework #7

- 1.) Given the demand curve, $Q = 80 - 4P$,
 - a.) Precisely draw D (including endpoints) and then, draw MR (which is twice as steep as D coming from the same point on the vertical axis).
 - b.) Rearrange terms in D such that the equation is in terms of P ($P = \dots$). From that (make sure it's simplified) and your drawing of D & MR, figure out the equation for MR.
 - c.) Solve for the Q such that $MR = P$.
 - d.) Given $MC = 2Q$, solve for profit-max Q^* and then for P, MC & MR at Q^* .
 - e.) Draw all of this accurately.

- 2.) Is it better to have the option of an AIDS vaccine produced by a monopoly or not having the vaccine produced at all? Connect this to patents.

- 3.) When a ski resort with some monopoly power is maximizing profit, price is greater than marginal cost. Thus, consumers are willing to pay more for additional lift tickets than the tickets cost to produce. So why does the ski resort not charge a lower price per lift ticket and increase output? Why not sell one more unit?