Problems on Perfect Competition

Chapter 14

Questions for Review 5 and 6,

Problems 1, 7, 9, and 11.

Hint for problem 11: For the original equilibrium with 1000 sellers, label the price as p1 and the quantity as q1 on the firm-level diagram. Then on the industry diagram, the intersection of supply and demand is at a price p1 and a quantity 1000q1. When only 800 licences are sold, the market supply curve shifts from S1 to S2, and the intersection with demand determines the new market quantity supplied, 800q2. Then go back to the firm-level diagram to label p2 and q2.

Preparation for Second Midterm: Do not hand in.