

Ohio State University  
Department of Economics

Econ. H200  
Fall 2006

Prof. James Peck

**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  $p_1$  and the quantity as  $q_1$  on the firm-level diagram. Then on the industry diagram, the intersection of supply and demand is at a price  $p_1$  and a quantity  $1000q_1$ . When only 800 licences are sold, the market supply curve shifts from  $S_1$  to  $S_2$ , and the intersection with demand determines the new market quantity supplied,  $800q_2$ . Then go back to the firm-level diagram to label  $p_2$  and  $q_2$ .

**Preparation for Second Midterm: Do not hand in.**