P. Gunning

Questions for Microeconomics

Each student is required to make a class presentation that counts as 20% of the final grade and must be completed satisfactorily. Typically, this will be a powerpoint presentation on one of the nine topics listed below.

These will be presented during week 5, 6, and 7, as indicated. If you have difficulty preparing, you should contact me by email.

Choice of topic. You should choose your topic ASAP. I will assign the first student to choose a specific topic the right to present it. Other students will then have to choose from among the other topics. You are welcome to trade topics after they are chosen.

Each presentation should last about 20 minutes.

As soon as I know which topic you have chosen, I will make a list and send it to the class.

List of Topics (choose one)

1. Explain each of the cost curves in Figure 11-5 on p. 365 and tell the relationship between the curves (Chapter 11, Week 5) (Brad Sopiak).

2. Assume that a firm has a U-shaped long run average total cost curve.
   a. Tell the difference between the short run average total cost curve and the long run average total cost curve.
   b. Using graphs, explain to the class the difference between a firm that is experiencing economies of scale and one that is experiencing diseconomies of scale (Chapter 11, Week 5) (Paul Casto).

3. Assuming that a firm is operating in a market perfectly competitive market.
   a. Using graphs of the appropriate revenue and cost curves for the firm, distinguish between a firm that is earning profit *in the short run* and one that is earning losses.
   b. If a firm is earning losses, show by using graphs of the industry, what would happen to industry price and quantity as the industry tends toward long run equilibrium.
   c. Returning to the graph for the loss-making firm, show how changes in the industry would impact its profit position *in the long run* (Chapter 12, Week 5) (Nicholas Hudson).

4. Show graphically the difference between an *increasing cost industry* and a *decreasing cost industry*. You should use graphs both of the industry and of a firm that is in the industry (Hint: you may have to do some extra research. Your textbook does not teach you how to use

graphs to answer this question.) (Chapter 12, Week 5) (Brad Schmidt).

5. Assume a monopoly firm that faces the costs curves that a firm is usually assumed to have.
   a. Draw a graph showing the profit-maximizing price, quantity, and profit earned by such a firm.
   b. A monopoly firm charges a price that is higher than its marginal cost. If such a firm reduced its price and produced and sold an additional unit, its cost of producing the unit would be lower than the price at which it could sell the unit. Why would such an act NOT increase the firm's profit? (Chapter 15, Week 6) (Jeff Cochran)

6. It is often said that monopoly in an industry is economically inefficient. By comparing a monopoly industry with a perfectly competitive industry, illustrate the inefficiency by using graphs. You will need to discuss dead weight loss and economic surplus. (Chapter 15, Week 6) (Laura Hutches on).

7. This question is about the merger of two previously competing firms.
   a. How can such a merger benefit consumers? Illustrate you answer with a graph.
   b. Tell the difference between a horizontal and a vertical merger.
   c. What kind of merger did you assume when you answered part a of this question? (Chapter 16, Week 6) (Lynika Williams).

8. This question is about price discrimination.
   a. Define *perfect price discrimination*.
   b. Assume that a firm faces two classes of buyers and that each class has a demand curve with a different elasticity from the other. The firm can produce all output at a constant average and marginal cost. Illustrate graphically that this firm can gain from price discrimination as between the two classes of buyers (Chapter 16, Week 6) (Kirk Manhu).

9. Describe *yield management* and give three examples of firms that use it. Be sure to explain why it can be a profitable pricing strategy (Chapter 16, Week 7) (Jereme Wyrick).