

Your name (first name, then last name): \_\_\_\_\_

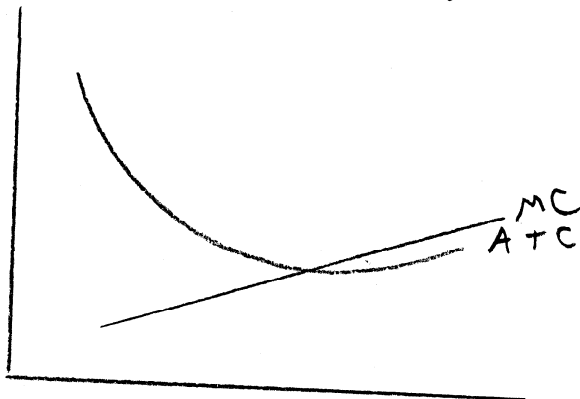
Your TA's name and section time: \_\_\_\_\_

SUNY-Binghamton Economics 160, Principles of Microeconomics, Christopher Hanes

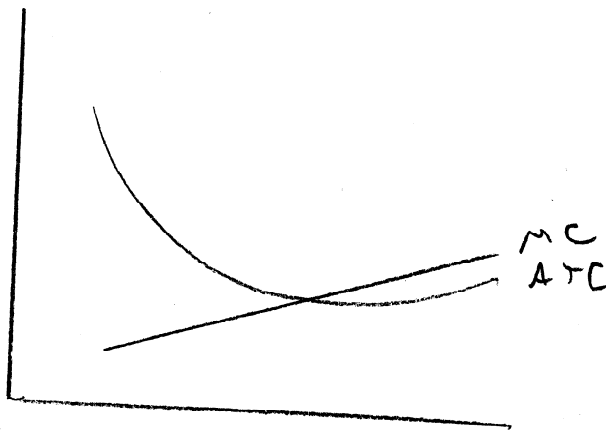
Problem set on monopolistic competition

The graphs below represent cost curves for a firm in a monopolistically competitive industry.

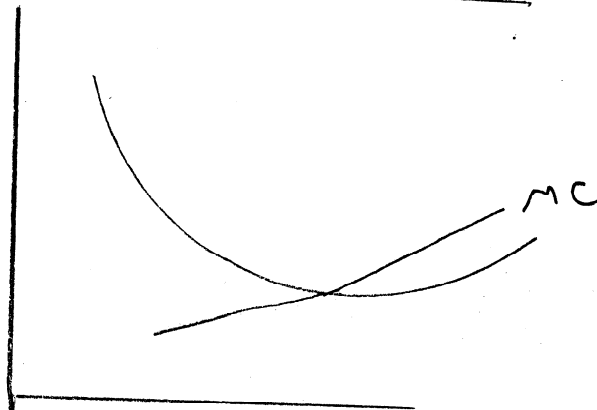
1) On this graph, draw a demand curve in a position such that the firm is making less than zero economic profit. Shade in the area that represents the negative economic profit.



2) On this graph, draw a demand curve in a position such that the firm is making positive economic profit. Shade in the area that represents the positive economic profit.



3) On this graph, draw a demand curve in a position such that the firm is making zero economic profit.



4) In the long run, the firm will make zero economic profit. Why? How?