

ECON 306-005  
Final Examination  
Instructor: Eli Dourado  
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Name: \_\_\_\_\_

Instructions: All questions are weighted equally. Answer them perfectly.

1. What is the difference between demand and quantity demanded?

2. What are some factors that lead to more elastic demand?

3. What is "consumer surplus?"



8. What causes increasing returns to scale?

9. What is the difference between the way economists think about costs and the way accountants think about costs?

10. The market for large aircraft has only two major firms. Why might this be?

11. You are the CEO of a monopolist facing demand of  $Q=100-P$ . Your marginal cost is 0. What quantity should you produce? At what price should you sell?

12. The price of Coke is higher than marginal cost. What do you think is the source of Coke's market power?

13. Why might antitrust regulations be beneficial? Why might they be harmful?

14. When we use the perfect competition model, what assumptions do we make?

15. A perfectly competitive firm is making negative profits. True/False/Depends, and explain: It should exit the market immediately.

16. A tax is levied on the suppliers of jelly beans. Who pays the tax?

17. Find all pure strategy Nash equilibria in the following game:

		Player 2	
		Left	Right
Player 1	Up	(11,10)	(4,15)
	Down	(10,8)	(9,12)

18. For signaling to work, why does the signal have to be costly?

19. Give an example of a public good that we did not talk about in class, and explain why it is a public good.

20. How can well-defined property rights reduce externalities?