ECO 101: Introduction to Microeconomics
Problem Set #5
Lectures 9 & 10
Due Date: 24 November, 5:00pm
Total Points: 30

NOTE: All problem sets must be hand-written (not typed) to receive full credit. Typed answers will receive a zero. Round all answers that are decimals to two decimal places.

Problem 1: Perfect Competition [7 points]

Suppose that a market is a perfectly competitive market and that this market begins in long-run equilibrium. Assume that Marginal Costs (MC) and Long-Run Average Costs (LRAC) are both U-Shaped as we draw them in lecture.

1. [1 point] Draw long-run equilibrium in this market in two figures: (i) A market figure with market supply and market demand and (ii) an individual firm's figure with their cost curves and marginal revenue curve.