

Problem Set #7  
 PPA 723  
 Professor John McPeak

Name: \_\_\_\_\_

1) Complete the following table.

a) Quantity of Output	Fixed Cost	Total Cost	Average Cost	Marginal Cost (from lower to higher q, listed with higher q)	Variable Cost	Average Variable Cost
0		5	-----	-----	-----	-----
1			23			
2			20			
3		56		16		
4					66	
5				16		
6		104				
7		122				
8					137	

b. If the market price for the output produced is 17 and the market structure is competitive, what level of output is the profit maximizing level of output? Why?





3) Illustrate the concept of deadweight loss by graphing the impact of a policy that limits the amount that can be sold in the market to a level below the perfectly competitive market equilibrium quantity. Label areas to correspond to producer surplus, consumer surplus, and deadweight loss in your graph.