Economics 101: Basic Economic Principles
Problem Set #4 (due by **at the beginning of class on Wednesday, March 12th**)
This problem set covers chapter 10.

Instructions: Please **type** your answers to the following questions, making **sure you include explanations where required**. You are encouraged to work with a partner if you would like to. If you work in a group, be sure to include the names of each group member and hand in just one copy of the problem set for the group.

Part I: Multiple Choice.

1. Price is constant or "given" to the individual firm selling in a purely competitive market because:
   A) The firm's demand curve is downward-sloping.
   B) There are no good substitutes for the firm's product.
   C) Product differentiation is reinforced by extensive advertising.
   D) Each seller supplies a negligible fraction of total supply.

2. Consider the table below. At what point on the table would a purely competitive firm cover all of its costs and earn only normal profits (i.e., zero economic profits)?

Price	Quantity	TFC	TVC
$5	5	$25	$10
$5	10	$25	$20
$5	15	$25	$50
$5	20	$25	$60

   At output level:
   A) 15.
   B) 10.
   C) 20.
   D) 5.

Part II: Perfect Competition in the short run.

1. Problem #4 (parts a - f) on page 212-3 in the textbook. Be sure to answer each question. (Some parts include multiple questions.)