

PS #7 Answers

(2)

~~(1)~~

① use example of Steel mill vs Coors from class

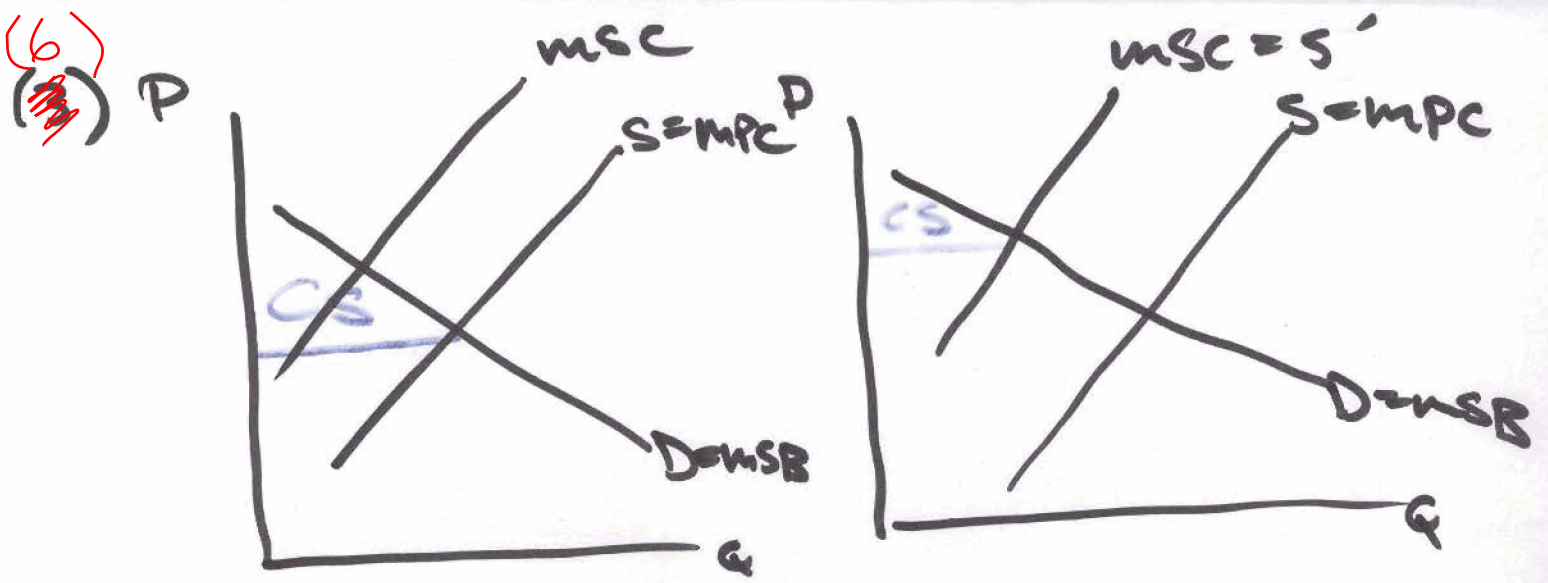
(a) Since $50 = 85 - 35 >$
 $245 - 200 = 45$, Bryan's
man will pay him
 $45 < P < 50$ to smoke
w/ a filter

(b) $\uparrow P$ of filtered cigarettes
 \downarrow benefit to $190 = 200 - 10$
now since $55 = 245 - 190 >$
 $85 - 35 = 50$ he will pay
his man $50 < P < 55$ to
continue to smoke w/o
the filter

~~(1)~~ buyer beware $\Rightarrow \downarrow DD$

(5) seller beware $\Rightarrow \downarrow SS$

(3) If violence \rightarrow ratings & does have more violence than him, this may level the playing field & hence he may get some of their profits



also, see the lecture notes

(7)

(8)

$$P = -Q + 53$$

$$MR = -2Q + 53$$

(a) $MR = MC$
 $5 = -2Q + 53$
 $Q = 24$
 $P = -24 + 53$
 $= 29$

$$\begin{aligned} \pi &= TR - TC \\ &= Pq - qAC \\ &= 29(24) - 24(5) \\ &= 576 \end{aligned}$$

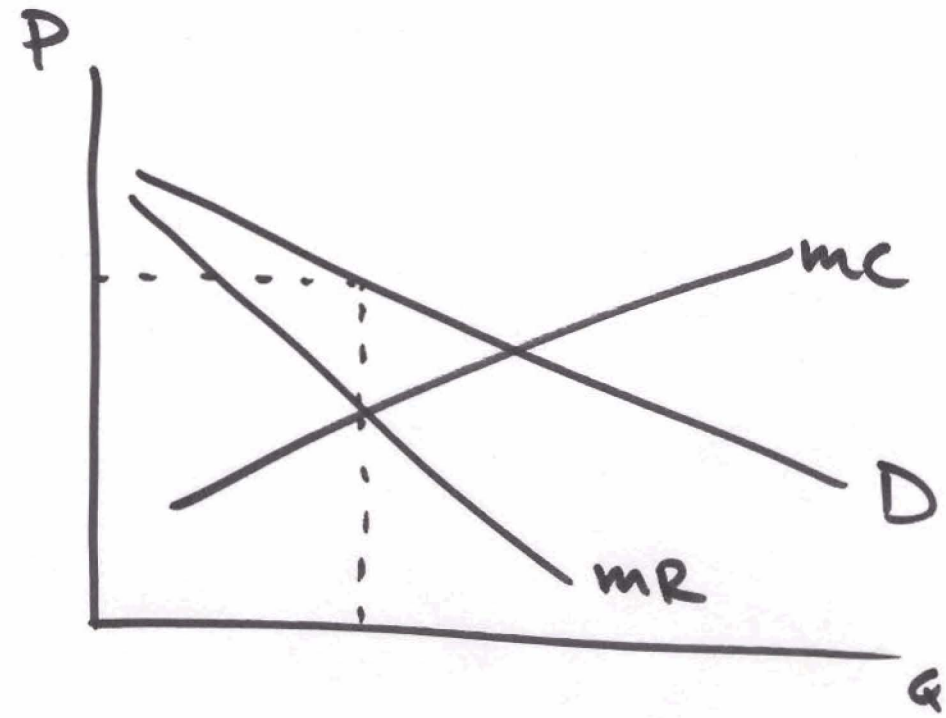
(b) $P = MC$
 $5 = -Q + 53$
 $Q = 48$

(c) $CS = \frac{1}{2}(48)(53-5)$
 $= 1152$

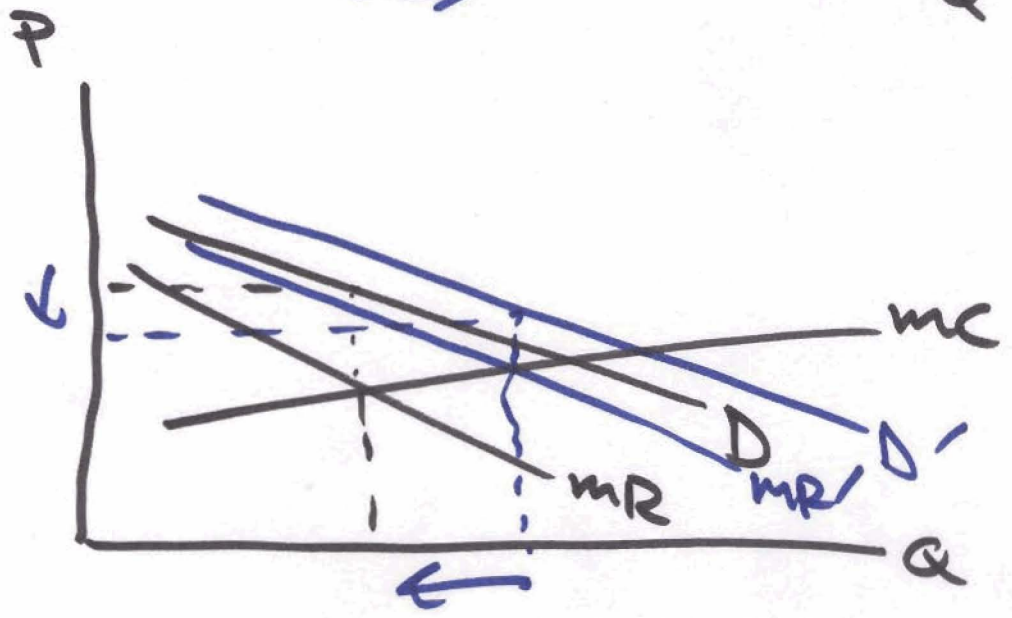
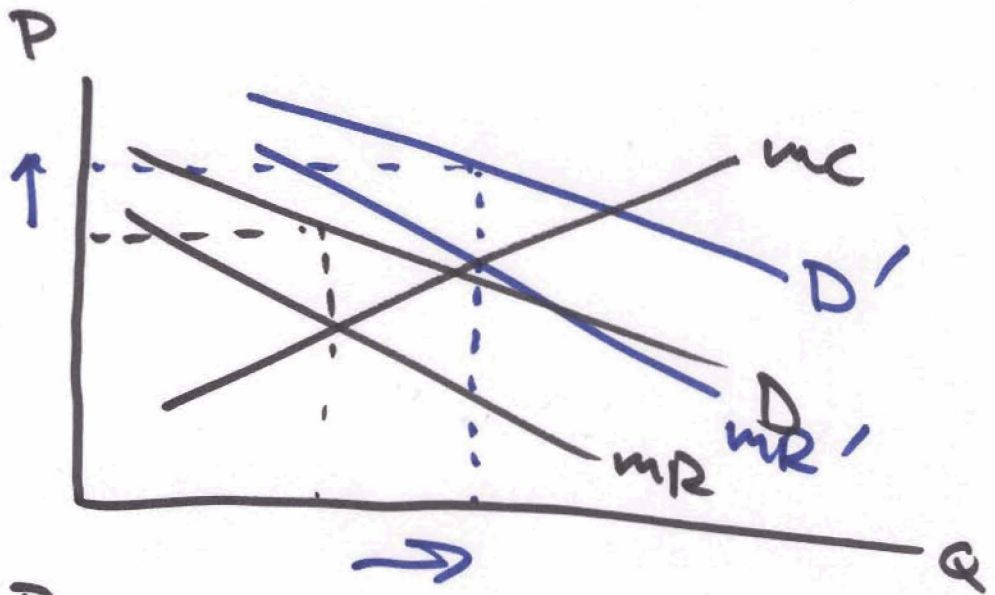
$$\begin{aligned} CS_{\text{mon}} &= \frac{1}{2}(24)(53-29) \\ &= 288 \end{aligned}$$

$$\begin{aligned} 1152 - 576 - 288 &= 288 = DWL \\ &= \frac{1}{2}(29-5)(48-24) \\ &= 288 \end{aligned}$$

(8)



two cases



(3) commercial provide revenue
 HB's charges directly & has no subsid commercial