Open book: You may use the text and T&T.
Limit yourself to two hours.
Clear handwriting is good, typing better but I'll take what I get!
Questions are equally weighted so aim for a maximum of 20 minutes each.

===> Due Friday Sep 27th in Class <==

1. Use our basic consumer and producer welfare criteria to argue (for or against or nuanced):

"The government should break up monopolies and prevent cartels; there certainly is no reason for it to engage in rate-of-return regulation or to otherwise set caps on prices."

2. In our basic Hotelling model we assumed implicitly that consumers don't mind walking. Let's get real (well, just by a little bit): assume that no consumer is willing to walk more that 1/6th the length of the beach (that is, a total walk of \( \frac{1}{3} \)) to buy an ice cream cone. How (if at all) does this change the equilibrium, with consumers distributed uniformly along a beach of length 1, if:

A. there are two vendors?
B. there are three vendors?

3. Elastic demand: we have the Lerner Rule.

A. Everything else being equal, what happens to profits as demand becomes more elastic?
B. With \( D = 100 - q \) and \( MC = 20 \), find \( p^m, q^m \) and \( \pi^m \).
C. Compare with \( D = 100 - 2q \). What does this imply about how elasticity changed?

4. Economies of scale and beer: Are there EOS in the market for beer? If so how do we judge that to be the case or even estimate their magnitude?

5. Consumer welfare and beer: How did market concentration in the beer market evolve in the postwar era? So what? – what metrics do we use to gauge shifts in the market, and what metrics to judge whether consumers should care?