Figure One represents a profit maximizing monopolistically competitive firm operating in the Short Run.

(1) What is the profit maximizing level of output?

(2) What price will be charged in the short run?

(3) What is the average total cost of each unit of output at the profit maximizing level?

(4) What is the profit per unit of output?

(5) What is the amount of short run total profit?
(6) Describe the long run adjustment process.

(7) In Figure Two above, draw the long run equilibrium of a monopolistically competitive firm (i.e., draw in the long run demand and marginal revenue curves). Be sure to correctly label the graph. Identify the long run equilibrium price as $P^*$ and the long run equilibrium quantity as $Q^*$.

(8) Are there economic profits in the long run?

(9) In Figure Two identify the long run equilibrium price (use $P^c$) of a profit maximizing firm in a perfectly competitive industry. Which is greater, the monopolistically competitive price or the perfectly competitive price?

(10) In Figure Two Identify the long run equilibrium quantity (use $Q^*$) of a profit maximizing firm in a perfectly competitive industry. Which is greater, the monopolistically competitive quantity or the perfectly competitive quantity?