Econ 3303   Fall 2015
Intermediate Microeconomics   R. Claycombe

Second Exam

Write all answers in your blue book and show all work there.
Return your exam in your blue book.

10pts.
1) a) Suppose that the O's get their stars to play for a lot less money. True or false, why?
This will lead to lower ticket prices.
b) Now suppose that their costs go down because their star players leave. True or false,
why? This will lead to lower ticket prices.

45 pts.
2) Let $Q = 100L^{2/3}K^{1/2}$ and L = 8 and K = 16.
a) What does Q equal. Draw a well-labeled isoquant diagram of this situation.
b) Find the MP_L and the MP_K.
c) Find the MRTS.
d) If the $P_L = 2$ and $P_K = 3$, what is the TC?
e) Is this the cost minimizing way to produce the quantity that you found in part a?
Why?
f) Find the cost minimizing way to produce the quantity that you found in part a.
g) Describe the returns to scale with this production function.
h) Suppose this is the short run. Find the MC and FC.
i) Draw a well-labeled diagram of the part h results.

12 pts.
3) Draw a well-labeled diagram that shows the effect on price and quantity of a decrease
of FC's in the long run in an increasing cost industry.

13 pts.
4) Draw a well-labeled diagram that shows the effect of a price ceiling on the gain from
    trade in a competitive industry. Give an example of such an industry.

10 pts.
5) Draw a well-labeled diagram an Edgeworth Box where individual A has most of the
income and the "economy" is in equilibrium.

10 pts
6) a) Find $\delta Q/\delta L$ when Q = 2LK
b) Find dQ/dX when $Q = Y^2$ and Y = f(X)

I have neither given nor received unfair aid on this test nor am I aware of anyone else
who has.

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