

ECO 2201:01  
Test 2  
Fall 2004  
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### Critical Analysis

1. I am producing and selling 1000 widgets per week. In a price taker market I receive \$1.00 per widget. The sum of my average fixed cost and average variable cost equals \$1.00 and would fall with an increase in output. My economic profit is zero. Using an appropriate, well-labelled diagram, reveal my current situation and advise me on a course of action. Note, my goal is to maximize profit.



4. **True or false and WHY?**

Economics analysis suggests that a valid case for government regulation is the outlawing of price discrimination in any form.

Please sign the following: I have neither given, nor received unauthorized aid on this piece of work, nor have I knowingly tolerated any violation of the Honor Code.

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