

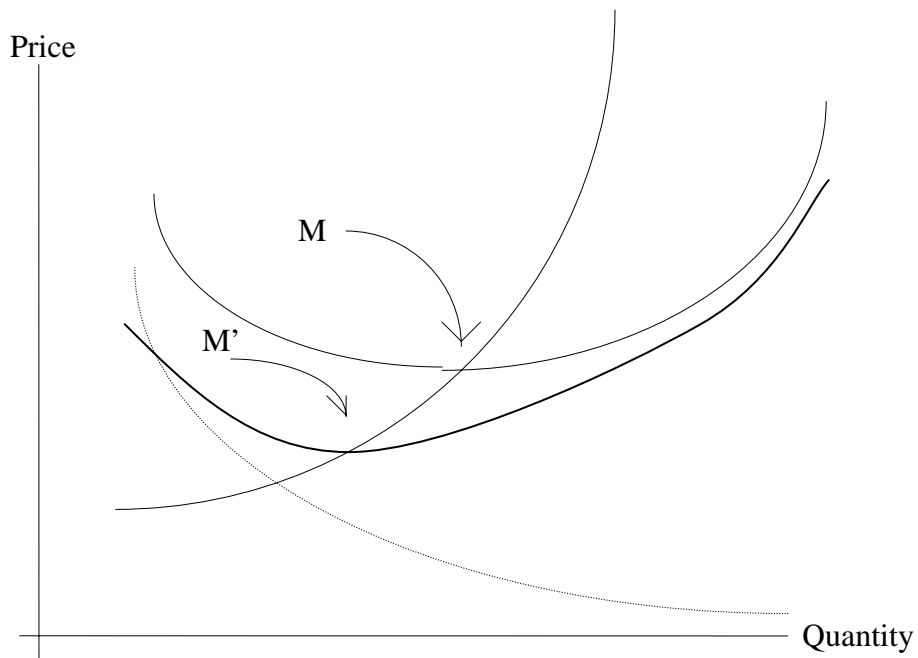
**Problem Set #6**  
**Econ. 2106H , J. Turner**

1. US winter wheat production increased dramatically in 1999 after a bumper harvest. The supply curve shifted rightward; as a result, the price decreased and the quantity demanded increased (a movement along the demand curve). The accompanying table describes what happened to prices and the quantity demanded of wheat:

	1998	1999
Quantity demanded (bushels)	1.74 billion	1.9 billion
Average price (per bushel)	\$3.70	\$2.72

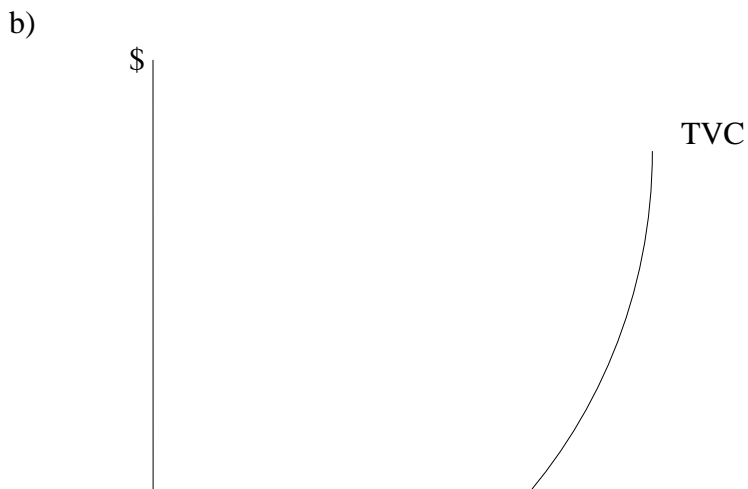
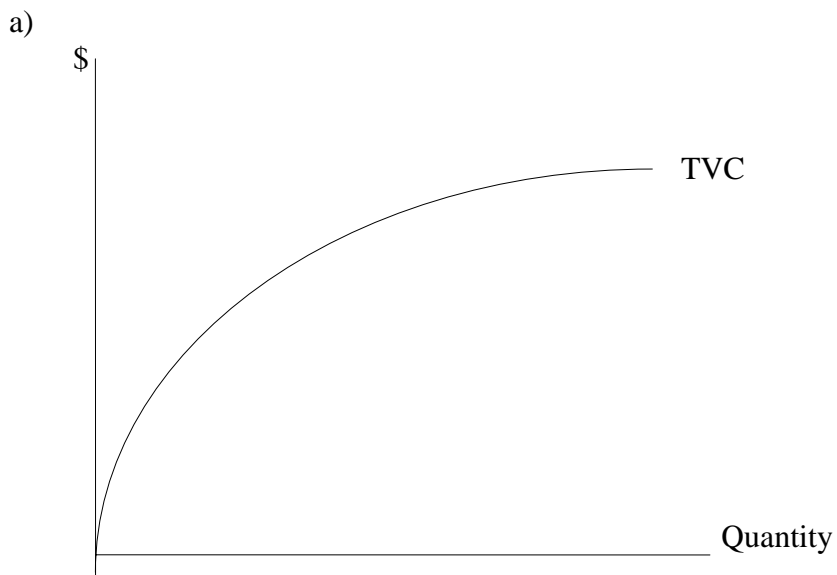
- a. Using the midpoint method, calculate the price elasticity of demand for winter wheat.
- b. What is total revenue for US wheat farmers in 1998 and 1999?
- c. Did the bumper harvest increase or decrease the total revenue of US wheat farmers? How could you have predicted this from part a)?

2. Carefully label the curves in the following graph.



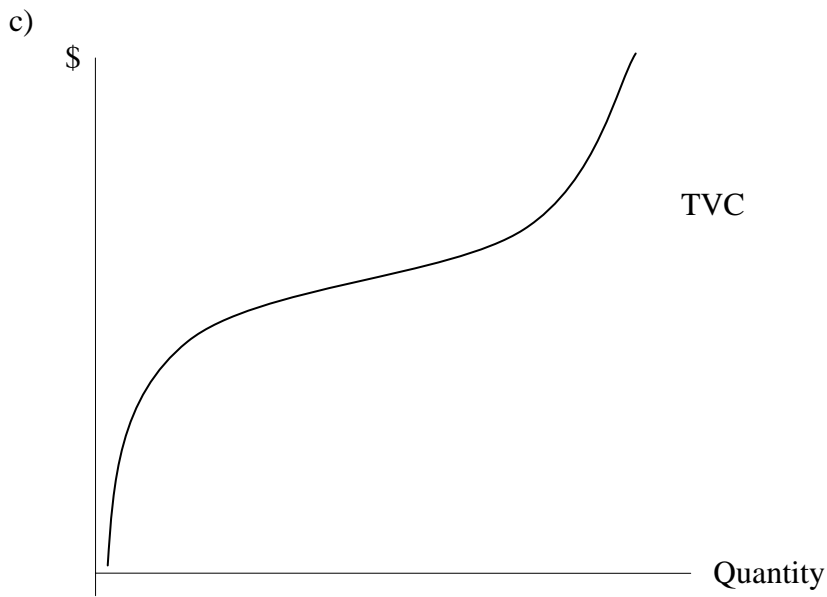
a) What are the significances of points M and M'? Carefully explain your answer.

3. For the following graphs draw the corresponding **Average Cost and Marginal Cost** curves.



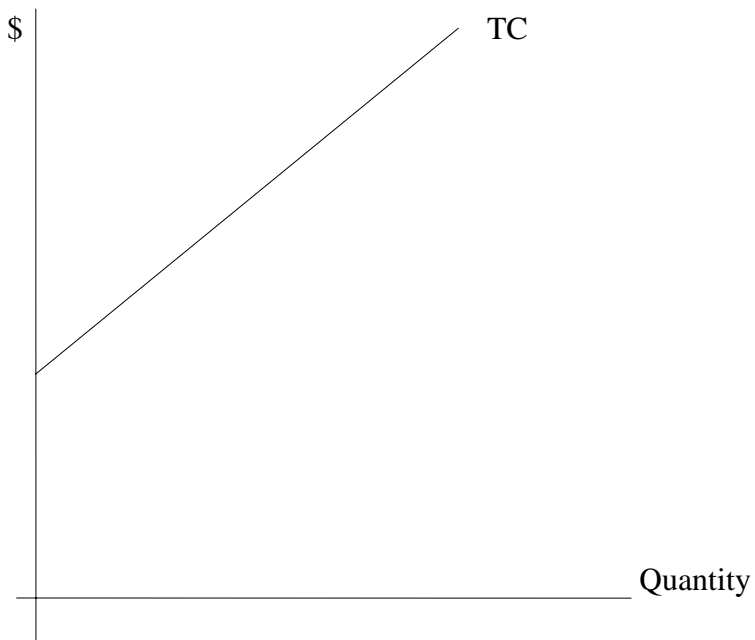
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Quantity

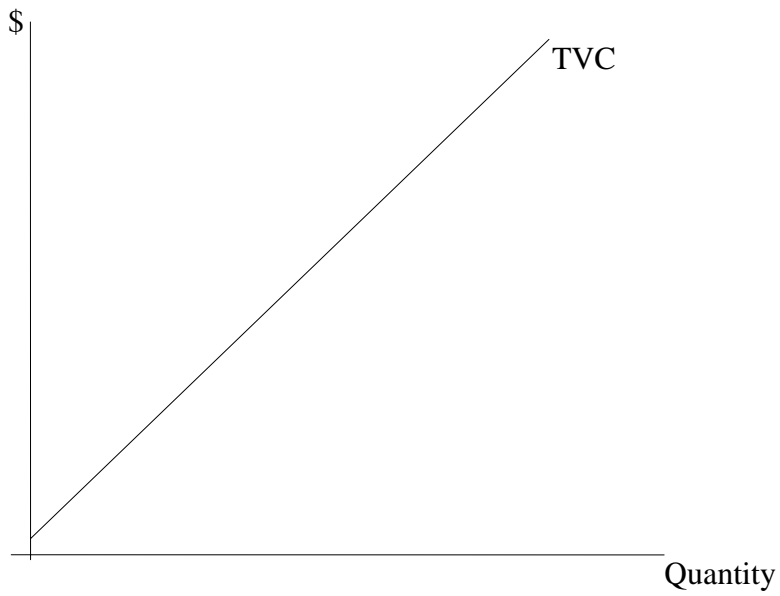


(pretend graph comes out of the origin)

d) (For this problem, also include the Average Fixed Cost Curve)

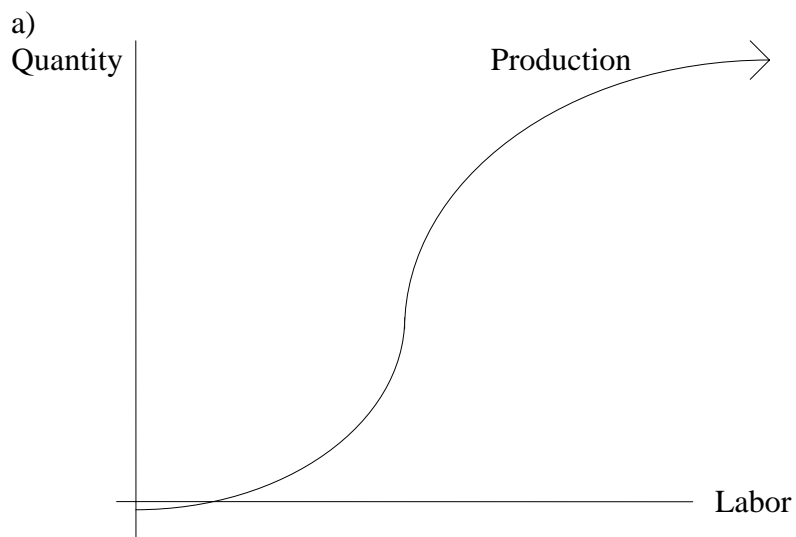


4. For the following graph, derive the shape of the supply curve, and explain your answer.

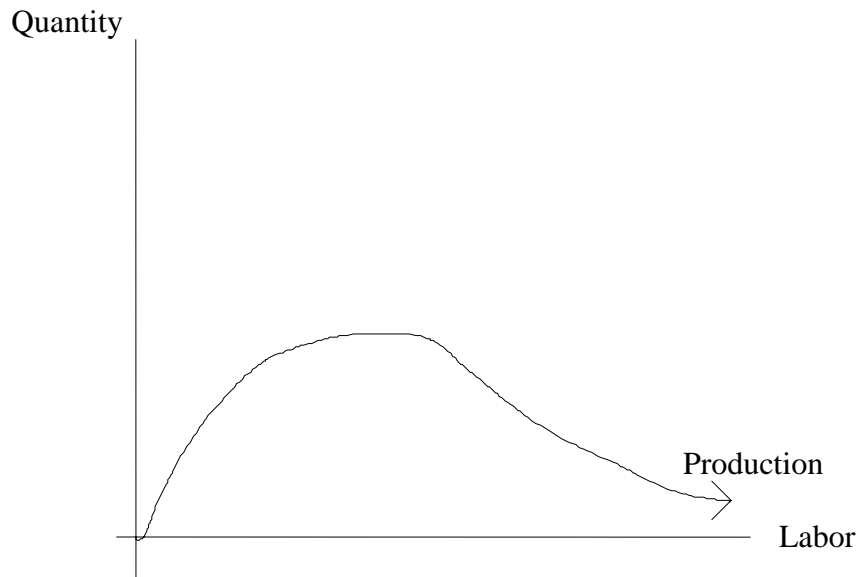


5. For the following production functions, derive:

- i) Total Cost Curve
- ii) Average Cost Curve
- iii) Marginal Cost Curve

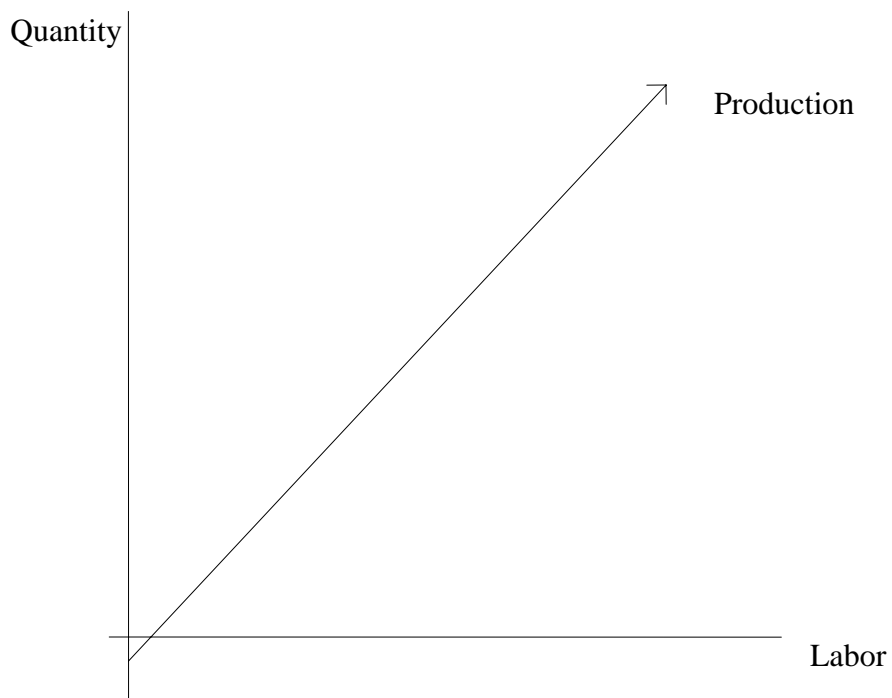


b)

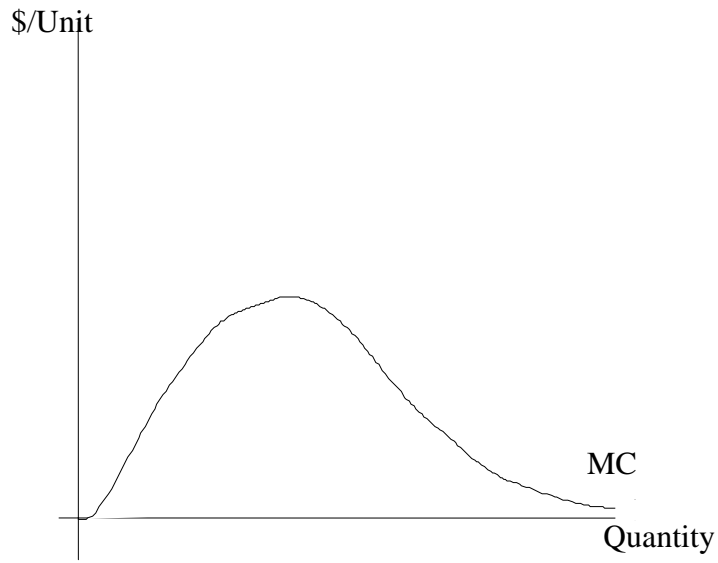


(Note: The above production function was meant to be a bit more “smooth”)

c)



6. For the following Marginal Cost Curve, derive the Total Variable Cost:



7. For the following graph, draw the corresponding Total Cost Curve:

