1.- (50 points) The structure of the local gas station industry is monopolistic competition. Suppose that currently each gas station incurs a loss. Draw a diagram for a typical gas station to show this short-run situation. Then, in two separate diagrams, show what will happen to the demand faced by the typical gas station and the long-run equilibrium of that gas station, respectively. Notice that you need to draw three graphs.

2.- (20 points) You must determine which of two types of market structure best describes an industry, but you are allowed to ask only one question about the industry. What question should you ask to determine if an industry is:
   a) Perfectly competitive or monopolistic competitive?
   b) Monopoly or monopolistically competitive?

3.- (30 points) Currently a monopolistically competitive industry, composed of firms with U-shaped average total cost curves, is in long-run equilibrium. Describe how the industry adjusts, in both the short and long run if a technological change increases fixed cost of every firm in the industry.
Quiz # 12

1.- (50 points) The structure of the local gas station industry is monopolistic competition. Suppose that currently each gas station earns an economic profit. Draw a diagram for a typical gas station to show this short-run situation. Then, in two separate diagrams, show what will happen to the demand faced by the typical gas station and the long-run equilibrium of that gas station, respectively. Notice that you need to draw three graphs.

2.- (20 points) You must determine which of two types of market structure best describes an industry, but you are allowed to ask only one question about the industry. What question should you ask to determine if an industry is:
   a) Perfectly competitive or monopolistic competitive?
   b) Monopoly or monopolistically competitive?

3.- (30 points) Currently a monopolistically competitive industry, composed of firms with U-shaped average total cost curves, is in long-run equilibrium. Describe how the industry adjusts, in both the short and long run if a technological change decreases fixed cost of every firm in the industry.