Econ 30010
Intermediate Microeconomic Analysis
Competition Experiment Worksheet

Code of Honor Rules for this assignment: You may not work on this assignment with other people. You may ask me questions. You must write up your final answers by yourself. You may not share copies of your final answers with classmates nor may you share or use electronic or scanned parts of answers for any of the problems. If you are unsure if an action violates any of these rules, please seek clarification in advance.

Suppose there will be 18 teams in class for the experiment. Five will have meal values of $150, five will have meal values of $145, five will have meal values of $140, and three will have meal values of $125. Each restaurant has a daily capacity of 3 meals.

1. Draw the demand curve for the whole class. (Note: It is not a straight line. Think about the quantity demanded at more prices than the above four meal values.)

2. On a separate graph, draw the marginal cost, average variable cost and average total cost curves for a single restaurant.
3. If you have already opened a restaurant, what is the lowest price at which you would be willing to sell a meal? Why?

4. What is the smallest average price you could expect for selling three meals at which you would be willing to open a restaurant? Why?

5. If only one team opens a restaurant,
   a) what price should you expect in equilibrium? Why?

   b) how much profit would the team earn? Why?

6. If everyone (all 18 teams) opens a restaurant,
   a) what price should you expect in equilibrium? Why?

   b) how much profit would each team earn? Why?