

Problem 8.1

Part a.

Number of restaurants opened:

Session 1, Round 1	8
Session 1, Round 2	7

Part b), c), and d).

Figure 8.4: Short-Run Supply and Demand-Session 1

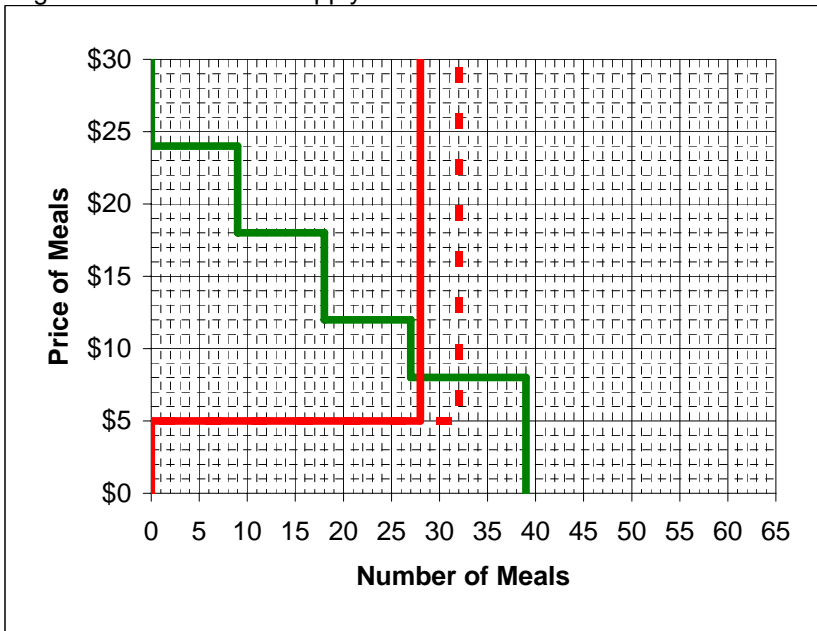


Table 8.7: Competitive Equilibrium Predictions, Session 1

	Mean Price	Number of Restaurants' Meals	Total Profit
Short-Run Competitive Equilibrium in First Round	\$8	32	-\$64.00
Short-Run Competitive Equilibrium in the Last Round	\$8	28	-\$56.00
Long-Run Competitive Equilibrium	\$12	24	\$48.00

Table 8.8: Experimental Outcomes, Session 1

	Mean Price	Number of Restaurants' Meals	Total Profits
Session 1, First Round	\$9.92	32	-\$2.65
Session 2, Last Round	\$8.84	28	-\$32.50

Problem 8.4

Part a)

Number of Restaurants:

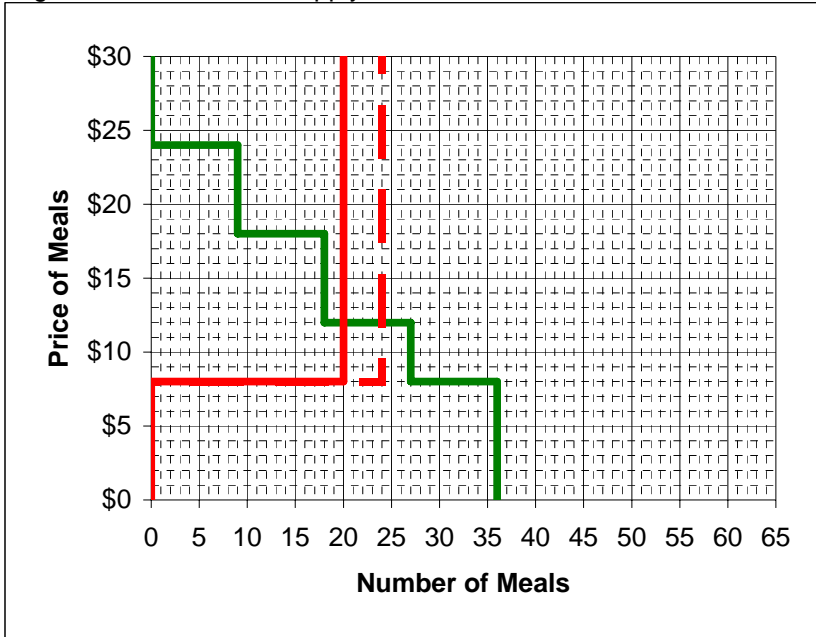
Session 2, Round 1	6
Session 2, Round 2	5

Part b)

With a \$3 sales tax, restaurants have a variable cost of \$8 per meal. Each restaurant that is open will want to supply 0 meals if the price is below \$8, and 4 meals if the price is greater than \$8.

Part c), d), and e).

Figure 8.5: Short-Run Supply and Demand-Session 2



Problem 8.5

Table 8.9 Competitive Equilibrium Predictions, Session 2

	Mean Price	Number of Restaurants' Meals	Total Profits
Short-Run Competitive Equilibrium in First Round	\$12	24	-\$24.00
Short-Run Competitive Equilibrium in Last Round	\$12	20	-\$20.00
Long-Run Competitive Equilibrium	\$18	16	\$80.00

Problem 8.5, Part b) rise by more than

Problem 8.6, Part a)

Table 8.10: Experimental Outcomes, Session 2

	Mean Price	Number of Restaurants' Meals	Total Profits
Session 2, Round 1	\$11.19	24	-\$43.51
Session 2, Round 2	\$12.65	20	-\$7.01

Problem 8.6, Part b) Yes