Experiment 7 Section 10

Problem 7.1

Table 7.13: Experimental Outcomes: Session 2
Mean Price \$15.00
Total Number of Units Sold 24
Total Profits of All Firms \$240.00
Total Consumers' Surplus \$54.00
Sum of Firms' Profits and
Consumers' Surplus \$294.00

Problem 7.2

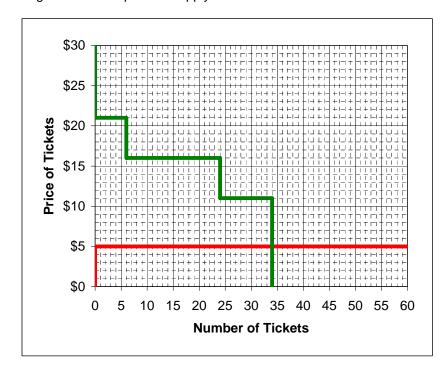
Part a)

At prices below \$5, how many units will the firm supply? At prices above \$5, how many units will the firm supply?

0 100

Parts b and c)

Figure 7.6: Competitive Supply and Demand



\$5

Problem 7.3

Table 7.14: Competitive Predictions
Mean Price
Total Niveshau of Heita Cald

Total Number of Units Sold 34
Total Profits of All Firms \$0
Total Consumers' Surplus \$354

Sum of Firms' Profits and

Consumers' Surplus \$354

Problem 7.4

Table 7.15: Monopoly Predictions

Mean Price \$15 Total Number of Units Sold 24 Total Profits of All Firms \$240 Total Consumers' Surplus \$54

Sum of Firms' Profits and

Consumers' Surplus \$294

Problem 7.5

Which of the two theories comes closer to predicting the results of Session 2? Monopoly Theory

Problem 7.6

Table 7.16: Experimental Outcomes: Session 3 Mean Price \$9.42 Total Number of Units Sold 34 Total Profits of All Firms \$150.25 Total Consumers' Surplus \$203.75

Sum of Firms' Profits and

Consumers Surplus \$354.00

Problem 7.7

Which of the two theories comes closer to predicting

the results of Session 3? Competitive Equilibrium Theory

Problem 7.8

Table 7.17: Experimental Outcomes: Session 4 Mean Price \$12.79 Total Number of Units Sold 34 Total Profits of All Firms \$265.00 Total Consumers' Surplus \$89.00

Sum of Firms' Profits and

Consumers' Surplus \$354.00

Problem 7.9

Part a) In which session did firms make larger profits? Session 4

Part b) In which session was total consumers' surplus larger? Session 4

Part c) In which session was the sum of firms' profits and

consumers' surplus larger? Session 4

Problem 7.10

Part a) The market efficiency of the experimental outcome in Session 2 = 83%

Part b) The market efficiency of the theoretically predicted outcome for a profit-maximizing monopoly in Session 2 =

83%