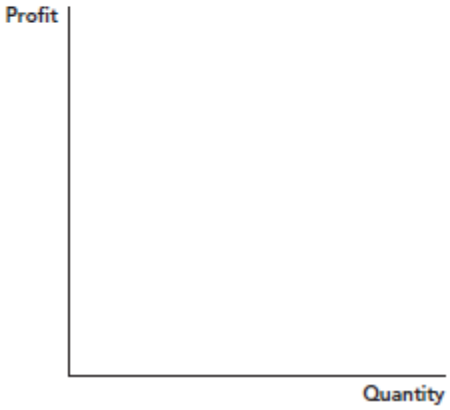
Lecture Assignment 10

a. Sometimes, our discussion of marginal cost and marginal revenue unintentionally hides the real issue: the entrepreneur's quest to maximize total profits. Here is information on a firm:

Demand: *P* = 50 – *Q*. Fixed cost = 100, marginal cost = 10.

Using this information, calculate total profit for each of the values in the following table, and then plot total profit in the figure below. Clearly label the amount of maximum profit and the optimum quantity that produces this level of profit.

Quantity	Total Revenue	Total Cost	Total Profit
18			
19			
20			
21			
22			
23			



b. If the fixed cost increased from 100 to 200, would that change the shape of this curve at all? Also, would it shift the location of the curve to the left or right? Up or down? How does this explain why you can ignore fixed costs most of the time when thinking about a monopoly's decision-making process?