Problem 7.1

Table 7.13: Experimental Outcomes: Session 2
Mean Price $15.00
Total Number of Units Sold 21
Total Profits of All Firms $210.00
Total Consumers’ Surplus $31.00
Sum of Firms’ Profits and Consumers’ Surplus $241.00

Problem 7.2

Part a)
At prices below $5, how many units will the firm supply? 0
At prices above $5, how many units will the firm supply? 100

Parts b and c)
Figure 7.6: Competitive Supply and Demand

Problem 7.3

Table 7.14: Competitive Predictions
Mean Price $5
Total Number of Units Sold 31
Total Profits of All Firms $0
Total Consumers’ Surplus $316
Sum of Firms’ Profits and Consumers’ Surplus $316
Problem 7.4
Table 7.15: Monopoly Predictions
Mean Price $15
Total Number of Units Sold 21
Total Profits of All Firms $210
Total Consumers' Surplus $46
Sum of Firms' Profits and Consumers' Surplus $256

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 $10.58
Total Number of Units Sold 31
Total Profits of All Firms $173.00
Total Consumers' Surplus $143.00
Sum of Firms' Profits and Consumers Surplus $316.00

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 $12.45
Total Number of Units Sold 31
Total Profits of All Firms $231.00
Total Consumers' Surplus $85.00
Sum of Firms' Profits and Consumers' Surplus $316.00

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 = 76%
Part b) The market efficiency of the theoretically predicted outcome for a profit-maximizing monopoly in Session 2 = 81%