

Homework 4

Due Wednesday, February 11, 2009

1. Using the theories on non-profits, briefly describe why non-profits might offer higher quality than for-profit firms?
2. Using the example of nurses, why do economists think that shortages should be easy to fix in the market? Then, give two reasons why there is a nursing shortage.
3. Use a diagram of a monopoly with a U-shaped average cost curve to show that a doctor who can price discriminate (charge 2 or more prices to her patients) makes more profit than a doctor who cannot price discriminate. What happens to consumer surplus of all patients when a doctor can price discriminate? So, is price discrimination good or bad for consumers?