Tell Me Stories
About Economics

Antitrust Problem for Economics Concepts

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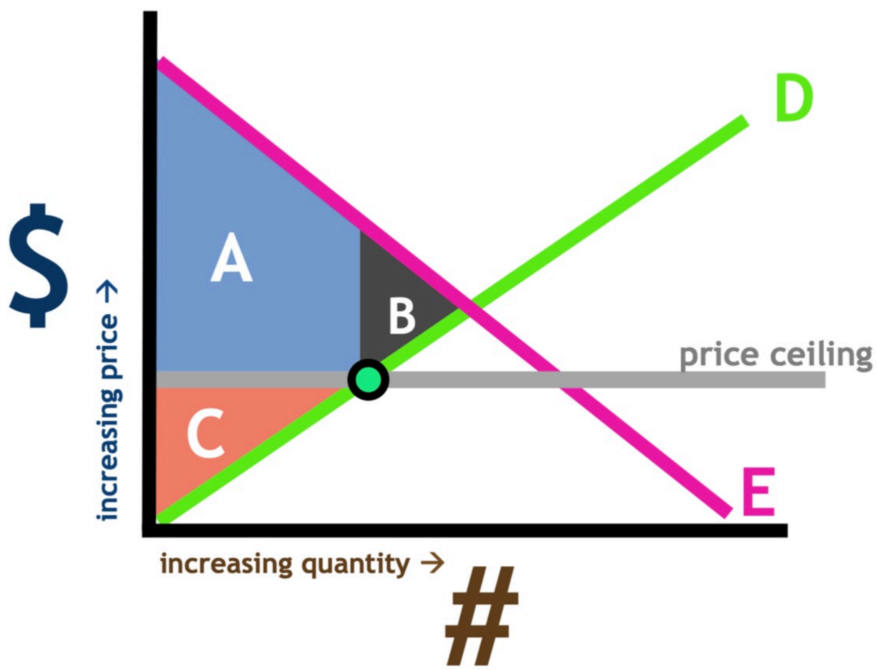
SET-UP FOR QUESTIONS 1 AND 2:

For these questions, you will need to hypothesize a product and some buyers and sellers. Your object will be to tell some realistic stories about what the following diagram could be said to represent.

Assume that following diagram is a standard supply-and-demand diagram, in which the vertical axis represents price, which increases going upward, and the horizontal axis represents quantity, which increases going to the right. Assume that the assignment of the letters A, B, C, D, and E is arbitrary, and assume also that the colors on the graph are arbitrary.

Note that this diagram depicts a price ceiling. You can assume this price ceiling is effective and has been imposed by law.



(By the way, the diagram you see here was taken from the amalgamated multiple choice question from the Exam Archive. There's no need to find it there. I am just noting that for the sake of transparency.)

QUESTION 1:

Tell me a story about a buyer and seller that successfully transacted. Make your story unique, and use a product and situation that is different from any examples used in class or in any of our materials. For the buyer and the seller each, explain whether they came out better or worse than they would have without the price ceiling. Explain their story with reference to the graph on the preceding page.

QUESTION 2:

Tell me a story about a buyer and seller that did **not** successfully transact. You can re-use the product and portions of the situation from Question 1; again, just make sure it's different from examples used in class or in any of our materials. For the buyer and the seller each, explain whether they came out better or worse than they would have without the price ceiling. Explain their story with reference to the graph on the preceding page.

QUESTION 3:

Tell me a story involving a realistic hypothetical situation in which there is only one producer in a market because of certain characteristics of the long-run average cost curve and demand. What would you expect to happen to consumer prices relative to marginal cost in such a market?