# Assignment #3

(Due by March 05, 2018)

1. Inverse market demand is: $P = A - BQ$. A few large companies compete in this market. They strive to maximize profits by setting the optimum quantity of production. They operate with identical constant marginal costs: $MC(q) = c$.
   a. What type of a market is this? (1 point)
   b. Find each company's optimum quantity that maximizes its profits if $n$ firms operate in this market. (2 points)
   c. How much will all the companies produce together in this market? What will be the equilibrium price? (2 points)

2. Present and explain the Hirschman-Herfindahl Index! (2 points)

3. Explain the difference between moral hazard and adverse selection! (3 points)