Assignment #3

(Due by March 09, 2018)

1. Inverse individual demand facing a firm for each of its customers is: $p = a - bq$. The company operates with constant marginal cost: $MC(q) = c$. If the firm charges a two-part tariff, how much its total price will be to each customer?   (2 points)

2. Explain the difference between "crowd appeal" and "brand recognition" in advertising!   (2 points)

3. Explain the difference between "convenience goods" and "experience goods"!
                                                                                                                            (2 points)

4. What is the "information rent" in the Principal-Agent model?   (2 points)

5. Explain the difference between adverse selection and moral hazard in a market transaction with asymmetric information!   (2 points)