

Problem Set 8, from Lecture 9

On what and how to submit

- For this and all future problem sets, questions are from the “Problems” section of the questions at the end of the chapter.
- Due before Lecture 10 to Blackboard. See assignment turn-in on course home page.
- Submit a pdf file
- Name the file “ps08_[lastname].pdf”. For example, my file would be “ps08_brooks.pdf”.
- In addition, write your name at the top of the problem set.
- You do not need to type your submission. Any **legible** submission is ok. For example, you can write the problem set with hand-drawn graphs, take a picture, and submit the picture as a pdf.

1. GLS Chapter 7, Question 14 (second edition, question 12)

2. GLS Chapter 7, Question 16

Hint: For part (a), you need to remember the cost minimization rule we learned in Chapter 6. Apply this rule to find the cost minimizing amounts of K and L . Then use those values to find total cost for $Q = 60$.

3. GLS Chapter 7, Question 21(a)-(c) only

4. Sunk Costs and Opportunity Costs

Choose a firm. It should be a real firm, and any type of firm is fine.

(a) Name an input that is a sunk cost for this firm, explaining why.

(b) Describe the opportunity costs for two additional inputs, explaining why.