The domestic sewing machine manufacturing industry is highly concentrated with only three active firms. Annual output and the marginal cost of production for "free arm" models produced by each company are as follows:

|  |  |
| --- | --- |
|  | Marginal Cost  |
| Annual Output (million)  | Frantic Frasier (F)  | Neurotic Niles (N)  | Delightful Daphne (D)  |
| 1  | $1,000  | $1,200  | $1,500  |
| 2  | 900  | 1,000  | 1,200  |
| 3  | 800  | 800  | 900  |
| 4  | 700  | 600  | 600  |
| 5  | 750  | 750  | 700  |
| 6  | 850  | 900  | 750  |
| 7  | 950  | 1,000  | 800  |

Competition from low-priced imports has been effectively limited by import tariffs (taxes). Given this import protection, domestic firms are able to sell as much output as they wish at the current wholesale market price of $750. However, industry prices haven't risen above $750 because this price triggers a flood of foreign competition.

A. Calculate industry output and the market share of each firm based on the assumptions that prices are stable, and therefore that P = MR = $750, and that MC > AVC.
B. Calculate industry output and the market share of each firm if removal of import restrictions reduces prices such that P = MR = $600. Again assume that MC > AVC.