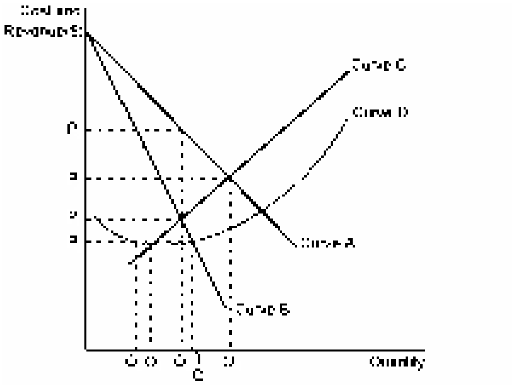
Use the following graph to answer questions 1-3



.

1. The profit maximizing monopolist depicted above would charge which of the following prices

A) P_3 B) P_2 C) P_1 D) P_0

2 The profit maximizing monopolist depicted above would produce which of the following quantities?

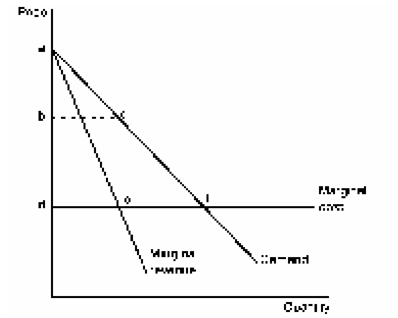
A) Q_0 B) Q_1 C) Q_2 D) Q_3 E) Q_4

3 If the monopolist depicted above was forced to impose a competitive market structure in terms of price and output, the monopolist would charge a price and produce an output of:

A) P_0, Q_3 B) P_0, Q1 C) P_1, Q_2
D) P_2, Q_4 E) P_3, Q_2

4. Assuming the monopolist operates at the profit maximizing price and output, which of the following events would both decrease output and increase the price?

a. An increase in the fix cost
b. An increase in the variable cost
c. An increase in the technology used to produce the product
d. An increase in the demand for the product



5 The figure shown above depicts the demand, marginal revenue and marginal cost curves of a profit-maximizing monopolist. Monopoly profit with perfect price discrimination equals

a. abc. b. bdec.
c. adec. d. adf.

6 Consumer surplus in the perfect monopolist that can perfectly price discriminate is equal to:

a. abc. b. bdec.
c. adec. d. adf.
e. No area would represent consumer surplus

7. In long-run equilibrium both purely competitive and monopolistically competitive firms will:

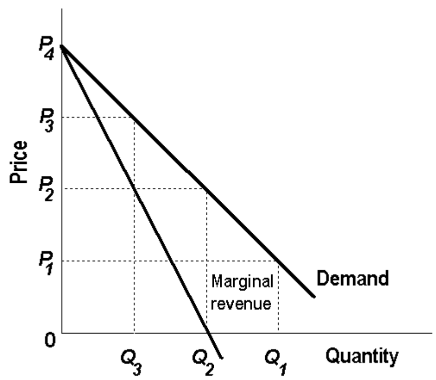
a. produce at minimum average total cost.
b. earn normal economic profits.
c. achieve allocative efficiency.
d. equate marginal cost and marginal revenue.

8 If a nondiscriminating imperfectly competitive firm is selling its 100th unit of output for $35, its marginal revenue:

a. may be either greater or less than $35.
b. will also be $35.
c. will be less than $35.
d. will be greater than $35.

9 An important economic problem associated with pure monopoly is that, at the profit maximizing outputs, resources are:

a. overallocated because price exceeds marginal cost.
b. overallocated because marginal cost exceeds price.
c. underallocated because price exceeds marginal cost.
d. underallocated because marginal cost exceeds price.



10. Refer to the above diagram. Demand is relatively inelastic:

a. at price P_3.
b. at any price below P_2.
c. in the P_2P_4 price range.
d. in the P_2P_3 price range.

11. A single-price monopoly is economically undesirable because, at the profit maximizing output:

a. marginal revenue exceeds product price at all profitable levels of production.
b. monopolists always price their products on the basis of the ability of consumers to pay rather than on costs of production.
c. MC > P.
d. society values additional units of the monopolized product more highly than it does the alternative products those resources could otherwise produce.

12 Monopolistic competition resembles pure competition because:

a. both industries emphasize nonprice competition.
b. in both instances firms will operate at the minimum point on their long-run average total cost curves.
c. both industries entail the production of differentiated products.
d. barriers to entry are either weak or nonexistent.

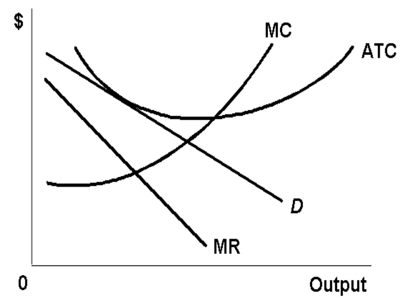
13. The monopolistic competition model predicts that:

a. allocative efficiency will be achieved.
b. productive efficiency will be achieved.
c. firms will engage in nonprice competition.
d. firms will realize economic profits in the long run.

14 In long-run equilibrium, the price charged by the monopolistically competitive firm:

a. must be less than ATC.
b. must be more than ATC.
c. may be either equal to ATC, less than ATC, or more than ATC.
d. will be equal to ATC.

Use the following diagram for questions 15-16. Write question 16 on the back of the quiz strip.



15 In long-run equilibrium, the firm shown in the diagram above will:

a. earn a normal profit.
b. go bankrupt.
c. incur a loss.
d. realize an economic profit.

16. In the diagram above, the a monopolistically competitive firm is in long run equilibrium because

a. price is greater than marginal cost.
b. price will equal average total cost.
c. marginal revenue is less than demand.
d. marginal revenue equals marginal cost.