

Homework (chapter 16)

Due Mar 2 at 11:59pm	Points 20	Questions 20
Available until Mar 2 at 11:59pm	Time Limit None	Allowed Attempts 2

Instructions

This required homework assignment covers material from chapter 16.

Homework answers may be saved and returned to, as long as it is within the deadline. To do so, remember to save your responses before leaving the Canvas website, and do not click on the “Submit” button (or Canvas will automatically grade your assignment and you will have no way of changing your answers). If you start the quiz before the deadline but do not finish by the deadline, Canvas will submit the homework for you at the deadline.

Take the Quiz Again

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	22 minutes	20 out of 20

⚠️ Correct answers will be available on Mar 3 at 12am.

Score for this attempt: **20** out of 20
Submitted Feb 11 at 3:02pm
This attempt took 22 minutes.

Question 1

1 / 1 pts

The typical firm in the US economy

☒ has some degree of market power.

☐ sells its product for a price that is equal to the marginal cost of producing the last unit.

☐ is perfectly competitive.

☐ is a monopoly.

Question 2

1 / 1 pts

Product differentiation causes the seller of a good to face what type of demand curve?

☒ downward sloping

☐ vertical

☐ horizontal

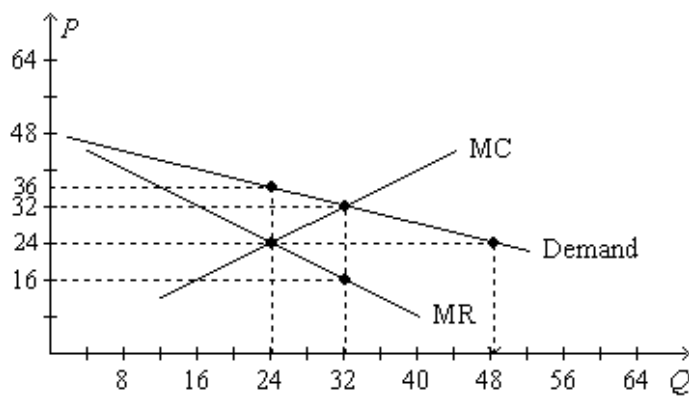
☐

Any of the above could be correct since product differentiation does not affect the shape of the demand curve.

Question 3

1 / 1 pts

Figure 16-2. The figure is drawn for a monopolistically competitive firm.



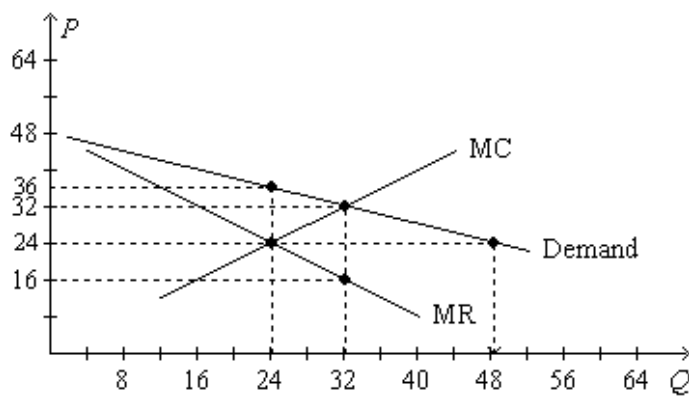
Refer to Figure 16-2. Suppose that average total cost is \$36 when $Q=24$. What is the profit-maximizing price and resulting profit?

- ☐ $P=\$24$, profit=\$0
- ☐ $P=\$36$, profit=\$144
- ☐ $P=\$36$, profit=\$48
- ☒ $P=\$36$, profit=\$0

Question 4

1 / 1 pts

Figure 16-2. The figure is drawn for a monopolistically competitive firm.



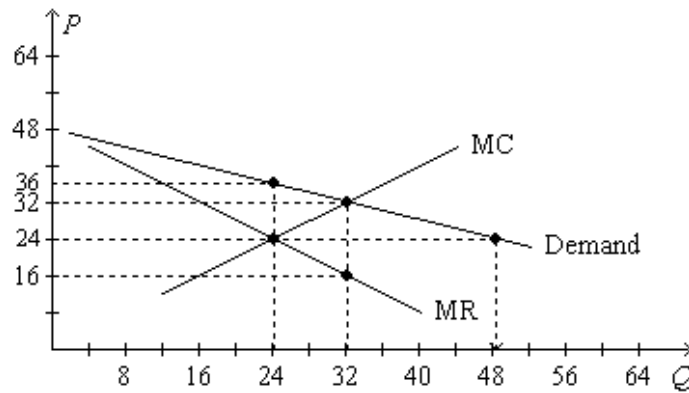
Refer to Figure 16-2. If the average total cost is \$30 at the profit-maximizing quantity, then the firm's maximum profit is

- ☐ \$64.
- ☐ \$96.
- ☒ \$144.
- ☐ \$480.

Question 5

1 / 1 pts

Figure 16-2. The figure is drawn for a monopolistically competitive firm.



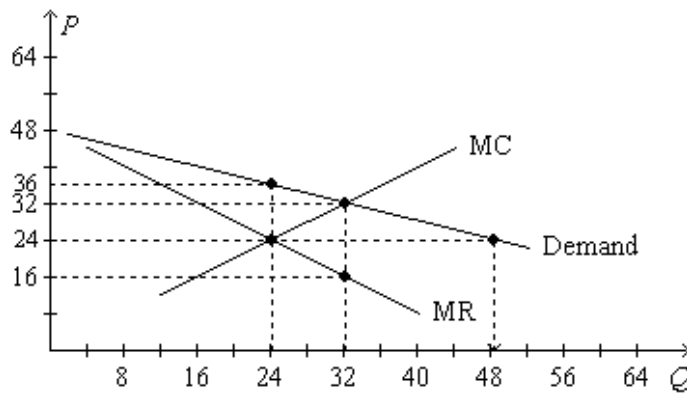
Refer to Figure 16-2. Suppose you were to add the ATC curve to the diagram to show the firm in a situation of long-run equilibrium. You would draw the ATC curve

- ☐ with its minimum at the point ($Q = 24$, $P = \$36$).
- ☐ with its minimum at the point ($Q = 24$, $P = \$24$).
- ☒ tangent to the demand curve at the point ($Q = 24$, $P = \$36$).
- ☐ tangent to the demand curve at the point ($Q = 32$, $P = \$32$).

Question 6

1 / 1 pts

Figure 16-2. The figure is drawn for a monopolistically competitive firm.



Refer to Figure 16-2. If the $ATC=40$ at the profit-maximizing level of output, which of the following will occur in the long run in this industry?

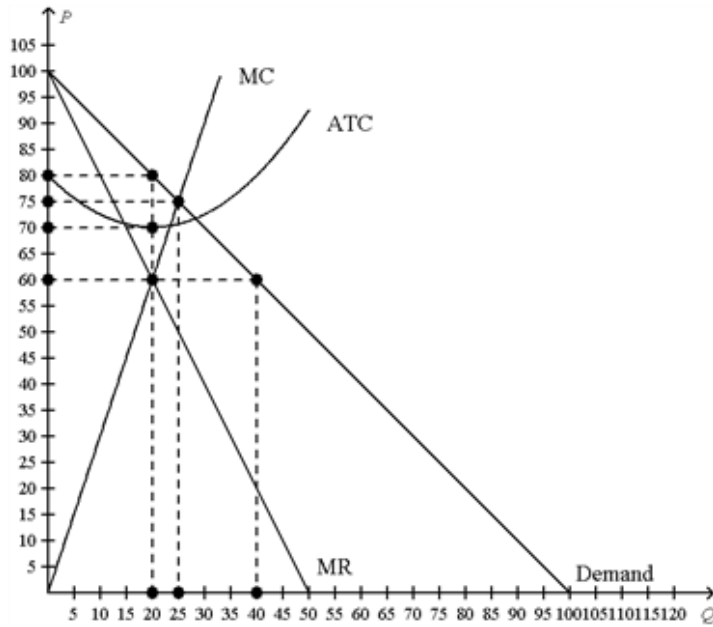
- ☒ Firms will exit this industry.
- ☐ Firms will enter this industry.
- ☐ This firm will continue to earn positive economic profits.
- ☐ This firm will incur losses.

Question 7

1 / 1 pts

Figure 16-3

This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-3. What is the profit-maximizing price, quantity, and resulting profit?

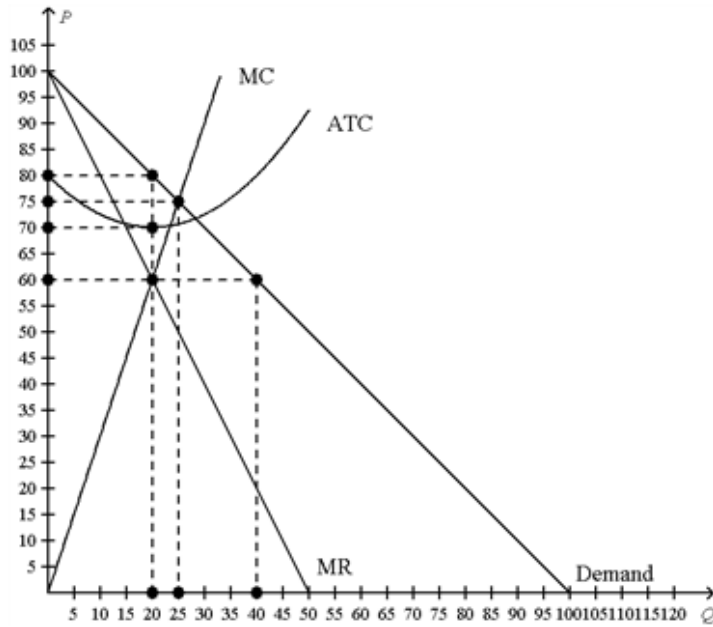
- ☐ P=\$60, Q=20 units, profit=\$200
- ☒ P=\$80, Q=20 units, profit=\$200
- ☐ P=\$75, Q=25 units, profit=\$100
- ☐ P=\$60, Q=40 units, profit=\$0

Question 8

1 / 1 pts

Figure 16-3

This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-3. How much consumer surplus will be derived from the purchase of this product at the monopolistically competitive price?

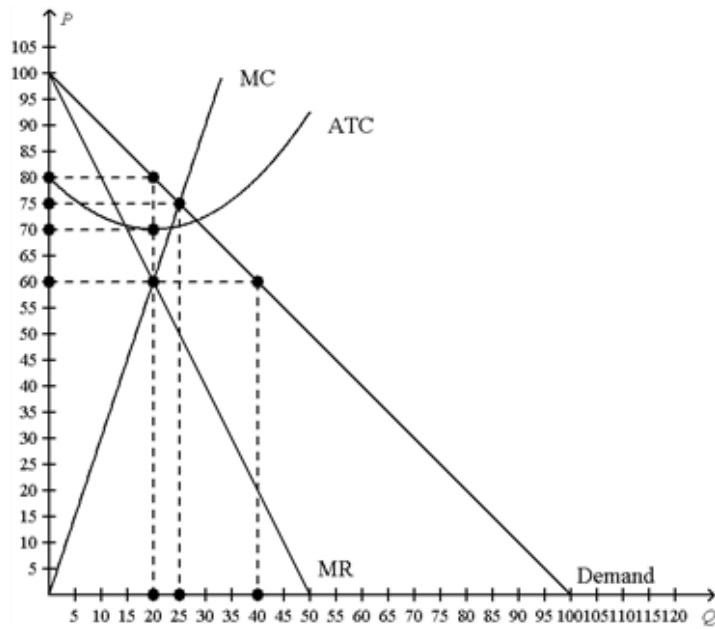
- ☒ \$200
- ☐ \$312.50
- ☐ \$400
- ☐ \$800

Question 9

1 / 1 pts

Figure 16-3

This figure depicts a situation in a monopolistically competitive market.



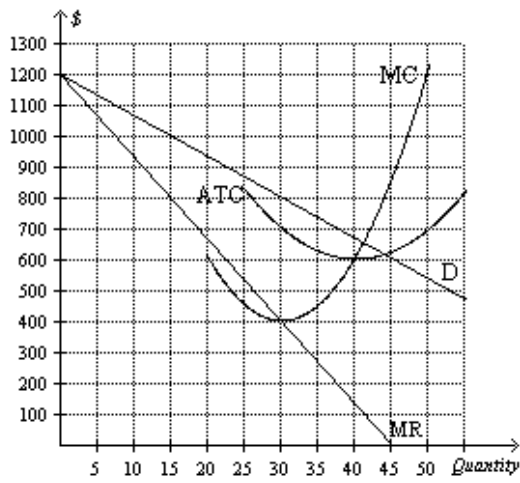
Refer to Figure 16-3. Which of the following will occur in the long run in this industry?

- ☐ Firms will exit this industry.
- ☒ Firms will enter this industry.
- ☐ This firm will continue to earn positive economic profits.
- ☐ This firm will incur losses.

Question 10

1 / 1 pts

Figure 16-4



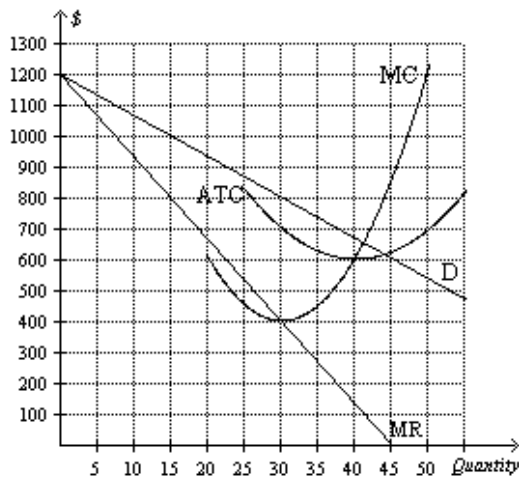
Refer to Figure 16-4. Assume the firm in the figure is currently producing 20 units of output and charging \$925. The firm

- ☐ will increase its profits if it raises its price and reduces its production level.
- ☒ will increase its profits if it lowers its price and expands its production level.
- ☐ is maximizing profits.
- ☐ will increase its profits if it raises its prices and expands its production level.

Question 11

1 / 1 pts

Figure 16-4



Refer to Figure 16-4. The maximum total short-run economic profit for the monopolistically competitive firm in this figure is

- ☐ -\$3,000.
- ☒ \$3,000.
- ☐ \$9,000.
- ☐ \$24,000.

Question 12

1 / 1 pts

In the long run,

- ☐ monopolistically competitive firms earn a higher profit than perfectly competitive firms because monopolistically competitive firms have some monopoly power.
- ☐ monopolistically competitive firms produce a higher output than perfectly competitive firms because competition drives the perfectly competitive firms' output down.



both monopolistically competitive and perfectly competitive firms produce where $P = MC$.



both monopolistically competitive and perfectly competitive firms produce where $P = ATC$.

Question 13

1 / 1 pts

The deadweight loss that is associated with a monopolistically competitive market is a result of



price falling short of marginal cost in order to increase market share.



price exceeding marginal cost.



the firm operating in a regulated industry.



excessive advertising costs.

Question 14

1 / 1 pts

Monopolistically competitive markets may be socially inefficient because



most firms produce inferior products.



government programs cannot effectively regulate price.



firms earn zero economic profit.



the market may have too much or too little entry by new firms.

Question 15

1 / 1 pts

A business-stealing externality is

- ☐ an externality that is likely to be punished under antitrust laws.
- ☐ the negative externality that occurs when one firm attempts to duplicate exactly the product of a different firm.
- ☐ an externality that is considered to be an explicit cost of business in monopolistically competitive markets.
- ☒ the negative externality associated with entry of new firms in a monopolistically competitive market.

Question 16

1 / 1 pts

The product-variety externality arises in monopolistically competitive markets because

- ☐ firms produce with excess capacity.
- ☒ firms try to differentiate their products.
- ☐ firms would like to produce homogeneous products, but the large number of firms prohibits it.
- ☐ entry and exit is restricted.

Question 17

1 / 1 pts

The relationship between advertising and product differentiation is

☒

positive; the more differentiated the product, the more a firm is likely to spend on advertising.

☐

negative; the more differentiated the product, the less a firm is likely to spend on advertising.

☐

zero; there is no relationship between product differentiation and advertising.

☐

irrelevant; firms with differentiated products do not need to advertise.

Question 18

1 / 1 pts

Critics of advertising argue that advertising

☒

creates demand for products that people otherwise do not want or need.

☐

lowers barriers to entry into an industry because new firms can more easily establish themselves as competitors.

☐

increases competition by providing information about prices.

☐

encourages monopolization of markets by raising entry barriers.

Question 19

1 / 1 pts

Monopolistic competition is characterized by many buyers and sellers, product differentiation, and free entry.

☒ True

☐ False

Question 20

1 / 1 pts

The term excess capacity refers to the fact that a firm produces a lower quantity than it would if it operated at the efficient scale.

☒ True

☐ False

Quiz Score: **20** out of 20