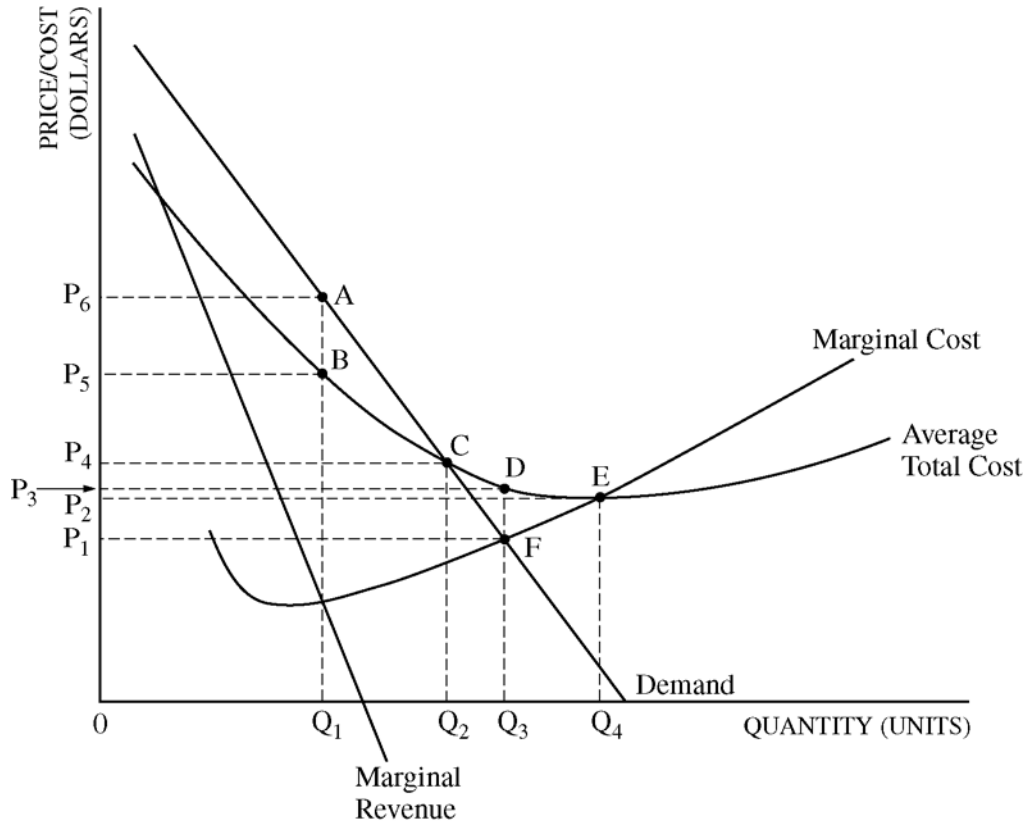


2008 AP[®] MICROECONOMICS FREE-RESPONSE QUESTIONS

3. Social efficiency is affected by government policy and the structure of markets.
- (a) For a competitive market for which there is a binding (effective) price ceiling, draw a correctly labeled graph and label the price ceiling " P_C ", the quantity sold " Q_A ", and the socially efficient output " Q_B ".
- (b) The graph below shows a natural monopoly.



- (i) Using the labeling in the graph, identify each of the following.
- (1) The profit-maximizing output
 - (2) The socially efficient output
- (ii) At the socially efficient output, is the monopoly making a profit or incurring a loss? Using the labeling on the graph, identify the area of profit or loss.

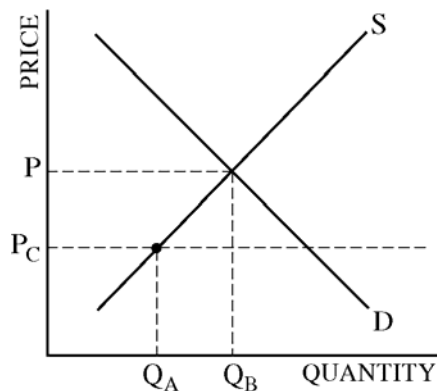
STOP

END OF EXAM

AP[®] MICROECONOMICS
2008 SCORING GUIDELINES

Question 3

7 points (3 + 4)



(a) 3 points:

- One point is earned for a correctly labeled supply and demand graph with a price ceiling indicated below the market equilibrium.
- One point is earned for correctly labeling Q_A .
- One point is earned for correctly labeling Q_B .

(b) 4 points:

(i) 2 points:

- One point is earned for identifying Q_1 as the profit-maximizing output.
- One point is earned for identifying Q_3 as the socially efficient output.

(ii) 2 points:

- One point is earned for recognizing that at Q_3 , the monopolist incurs a loss.
- One point is earned for identifying the area of loss, P_1P_3DF .