## Review Questions

5.

What is the relationship between product differentiation and monopolistic competition?

6.

How is the perceived demand curve for a monopolistically competitive firm different from the perceived demand curve for a monopoly or a perfectly competitive firm?

7.

How does a monopolistic competitor choose its profit-maximizing quantity of output and price?

8.

How can a monopolistic competitor tell whether the price it is charging will cause the firm to earn profits or experience losses?

9.

If the firms in a monopolistically competitive market are earning economic profits or losses in the short run, would you expect them to continue doing so in the long run? Why?

10.

Is a monopolistically competitive firm productively efficient? Is it allocatively efficient? Why or why not?

11.

Will the firms in an oligopoly act more like a monopoly or more like competitors? Briefly explain.

12.

Does each individual in a prisoner’s dilemma benefit more from cooperation or from pursuing self-interest? Explain briefly.

13.

What stops oligopolists from acting together as a monopolist and earning the highest possible level of profits?