## Critical Thinking Questions

14.

Aside from advertising, how can monopolistically competitive firms increase demand for their products?

15.

Make a case for why monopolistically competitive industries never reach long-run equilibrium.

16.

Would you rather have efficiency or variety? That is, one opportunity cost of the variety of products we have is that each product costs more per unit than if there were only one kind of product of a given type, like shoes. Perhaps a better question is, “What is the right amount of variety? Can there be too many varieties of shoes, for example?”

17.

Would you expect the kinked demand curve to be more extreme (like a right angle) or less extreme (like a normal demand curve) if each firm in the cartel produces a near-identical product like OPEC and petroleum? What if each firm produces a somewhat different product? Explain your reasoning.

18.

When OPEC raised the price of oil dramatically in the mid-1970s, experts said it was unlikely that the cartel could stay together over the long term—that the incentives for individual members to cheat would become too strong. More than forty years later, OPEC still exists. Why do you think OPEC has been able to beat the odds and continue to collude? *Hint:* You may wish to consider non-economic reasons.