CH-310-A Microeconomics - Theory and Policy

Chapter 13 of Krugman and Wells

Monopoly and demand

The demand curve facing a monopolist is:

(a) horizontal, the same as that facing a perfectly competitive firm.

(b) downward-sloping, the same as that facing a perfectly competitive firm.

(c) upward-sloping, the same as that facing a perfectly competitive firm.

(d) downward-sloping, unlike the horizontal demand curve facing a perfectly competitive firm.

Monopoly: Quantity effect

Wendy has a monopoly in the retailing of motor homes. She can sell five per week at $21,000 each. If she wants to sell six, she must charge $20,000 each. The quantity effect of selling the sixth motor home is:

(a) $20,000.
(b) $10,000.
(c) $15,000.
(d) $21,000.

Monopoly and demand

A monopoly responds to an increase in demand by *blank* price and *blank* output.

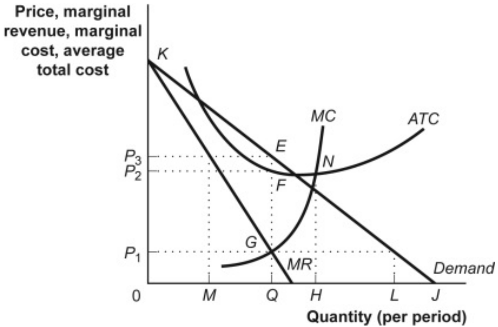
(a) increasing; decreasing

(b) increasing; increasing

(c) decreasing; increasing

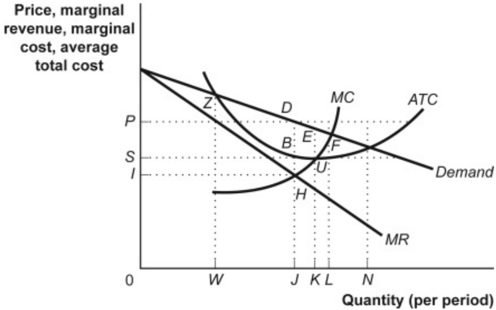
(d) decreasing; decreasing

Monopoly and production



Producing at point N would: (a) result in MR = MC; (b) result in positive economic profits; (c) never be profit-maximizing, since at this output MR $<$ 0 and MC $>$ 0; (d) result in the firm breaking even.

Monopoly and equilibrium



When the firm is in equilibrium (that is, maximizing its economic profit), its total cost is the area of rectangle: (a)0PDJ; (b) 0IHJ; (c) IPDH; (d) 0SBJ.

Monopoly and demand

The demand curve facing a monopolist is:

(a) vertical, the same as that facing a perfectly competitive firm.

(b) perfectly inelastic, the same as that facing a perfectly competitive firm.

(c) upward-sloping, the same as that facing a perfectly competitive firm.

(d) downward-sloping, like the industry demand curve in perfect competition.

Monopoly and price discrimination

To practice effective price discrimination, a monopolist must be able to:

(a) estimate its own production and cost functions.
(b) avoid detection by government regulatory agencies.
(c) prevent the resale of goods among groups of buyers.
(d) calculate the utility level of each buyer in the market.