

Answers

EE211 Section 1 Quiz 9 (Nov 14, 2023)

Name _____ Last 4 digits ID _____

Answers all following questions. Provide full explanation with graphs (if necessary).

1. A firm is a natural monopoly if it exhibits _____ as its output increases.
 - a. Increasing total revenue.
 - b. Increasing marginal cost.
 - c. Decreasing marginal revenue.
 - d. Decreasing average total cost.
2. For a profit-maximizing monopoly that charges a single price, what is the relationship between price P , marginal revenue MR , and marginal cost MC ?
 - a. $P = MR$ and $MR = MC$.
 - b. $P > MR$ and $MR = MC$.
 - c. $P = MR$ and $MR > MC$.
 - d. $P > MR$ and $MR > MC$.
3. If a monopoly's fixed costs increases, its price will _____, and its profit will _____.
 - a. increase; decrease
 - b. decrease; increase.
 - c. increase; stay the same.
 - d. stay the same; decrease.
4. Price discrimination by a monopolist refers to charging different prices based on
 - a. the consumer's willingness to pay.
 - b. the consumer's racial or ethnic group.
 - c. the cost of producing the good for a particular consumer.
 - d. Whether the consumer is likely to become a repeat buyer.
5. Compared with the social optimum, a monopoly firm chooses
 - a. a quantity that is too low and a price that is too high.
 - b. a quantity that is too high and a price that is too low.
 - c. a quantity and a price that are both too high.
 - d. a quantity and a price that are both too low.
6. The deadweight loss from monopoly arises because
 - a. the monopoly makes higher profits than a competitive firm would.
 - b. some potential consumers who forgo buying the good value it more than its marginal cost.
 - c. consumers who buy the good have to pay more than marginal cost, reducing their consumer surplus.
 - d. the monopoly chooses a quantity that fails to equate price and average revenue.