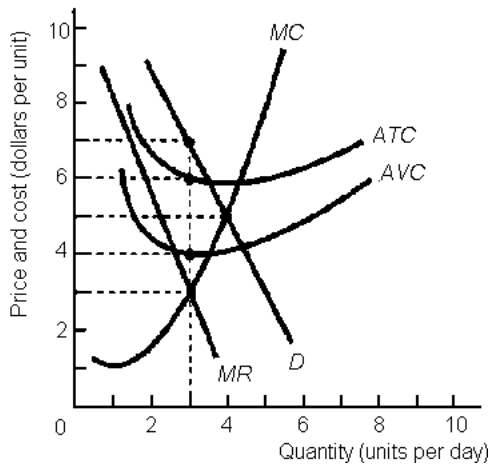


MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) All of the following are features of monopoly EXCEPT that _____
A) location may restrict a monopoly's market power.
B) a monopoly is the only supplier of the good.
C) monopolies have no close substitutes.
D) monopolies have no barriers to entry or exit.
- 2) Effort by a firm to monopolize a market _____
A) is price taking. B) is rent seeking.
C) raises consumer surplus. D) is price discrimination.
- 3) Compared to a competitive industry, a monopoly transfers _____
A) producer surplus to consumers. B) deadweight loss to consumers.
C) deadweight loss to producers. D) consumer surplus to producers.
- 4) An externality may be a _____
A) cost but not a benefit. B) marginal cost but not a total cost.
C) cost or a benefit. D) benefit but not a cost.
- 5) An example of an externality occurs when a chemical factory _____
A) overworks its employees.
B) produces fertilizers that do not help plants grow.
C) produces fertilizers that kill plants rather than feed them.
D) dumps waste in a river upstream from a popular fishing spot.
- 6) Access to the broadcast signal from a radio station is _____
A) a private good, but the station itself is a public good.
B) a public good, but the station itself is a private good.
C) a private good, as is the station itself.
D) a public good, as is the station itself.
- 7) A free rider is someone who _____
A) enjoys leisure more than work, at the margin.
B) produces a good and never gets paid for it.
C) generates externalities in production.
D) consumes a good without paying for it.

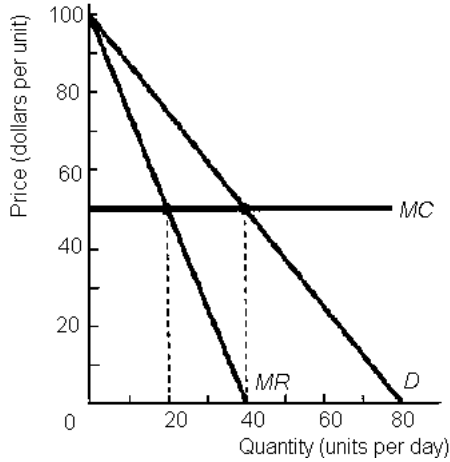
Figure 13.8



- 8) In Figure 13.8, the short-run reduction in consumer surplus caused by producing under monopoly instead of perfect competition is 8) _____
 A) \$6.00 per day. B) \$7.00 per day. C) \$13.00 per day. D) zero.
- 9) In Figure 13.8, the short-run reduction in output caused by production under monopoly instead of perfect competition is 9) _____
 A) zero. B) approximately 3 units per day.
 C) approximately 1 unit per day. D) approximately 2 units per day.
- 10) In Figure 13.8, the short-run increase in price caused by production under monopoly instead of perfect competition is approximately 10) _____
 A) \$1.00 per unit. B) \$3.00 per unit. C) \$2.00 per unit. D) \$4.00 per unit.
- 11) In Figure 13.8, the short-run redistribution from consumer to the producer caused by production under monopoly instead of perfect competition is 11) _____
 A) zero. B) \$3.00 per day. C) \$12.00 per day. D) \$6.00 per day.
- 12) In Figure 13.8 the short-run deadweight loss from production under monopoly instead of perfect competition is 12) _____
 A) approximately \$7.00 per day. B) approximately \$16.00 per day.
 C) zero. D) approximately \$2.00 per day.
- 13) Refer to Figure 13.8. The total profit for this unregulated monopolist is 13) _____
 A) \$1.00 per day. B) zero. C) \$3.00 per day. D) \$9.00 per day.
- 14) In Figure 13.8, the fixed cost 14) _____
 A) is \$6 per day. B) is \$4 per day.
 C) is \$2 per day. D) cannot be determined.

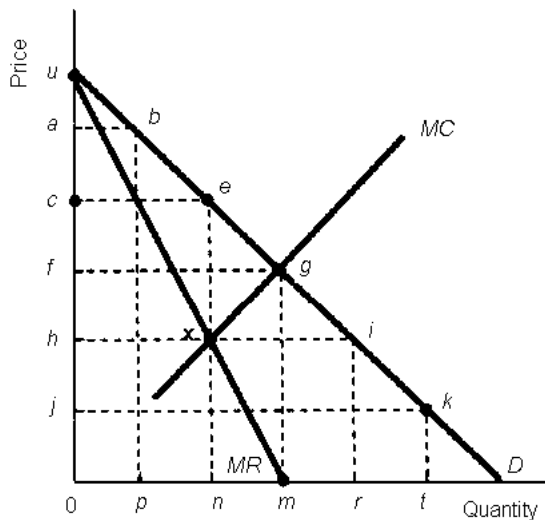
The monopoly described in Figure 13.9 produces only at the output level that will maximize profits and charges a single price unless otherwise stated.

Figure 13.9



- 15) If the industry in Figure 13.9 were competitive, the profit-maximizing level of output would _____
- A) exceed the monopoly level of output by 20 units.
 - B) be the same as the monopoly level of output.
 - C) be less than the monopoly level of output.
 - D) exceed the monopoly level of output by 40 units.

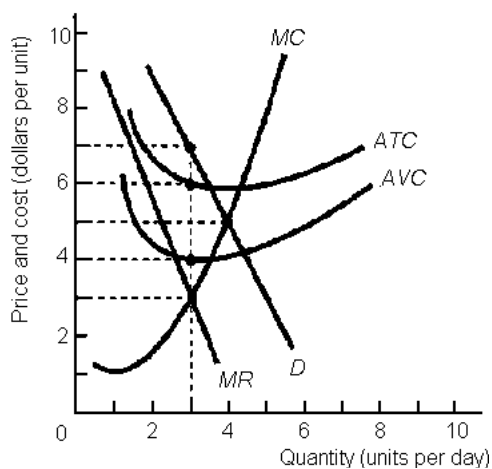
Figure 13.6



- 16) In Figure 13.6, the deadweight loss from production under a single-price monopoly instead of perfect competition is the area of _____
- A) triangle ufg.
 - B) triangle egx.
 - C) triangle ugx.
 - D) triangle gmx.
- 17) In Figure 13.6, a single-price unregulated monopoly will set price _____
- A) a.
 - B) h.
 - C) j.
 - D) c.

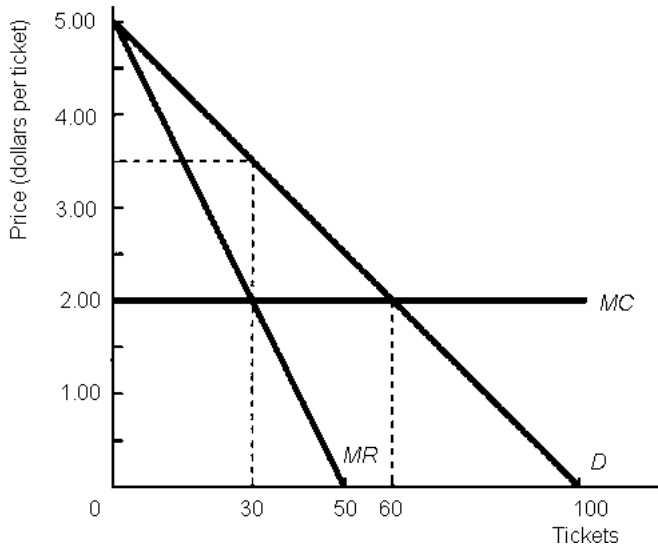
- 18) In Figure 13.6, consumer surplus at the price that maximizes profit is the area of _____
 A) rectangle *Ocen*. B) rectangle *Ofgm*. C) triangle *ufg*. D) triangle *uce*.
- 19) Unregulated monopolies _____
 A) cannot incorporate. B) take the market price as given.
 C) can influence market quantity or price. D) take the market quantity as given.
- 20) The single-price, unregulated monopolist will produce if price is _____
 A) greater than average variable cost. B) less than average fixed cost.
 C) equal to marginal revenue. D) less than marginal revenue.
- 21) Monopolies often earn positive economic profit because _____
 A) they receive government subsidies. B) barriers to entry prevent price declines.
 C) they have high costs. D) monopoly risks are high.

Figure 13.8



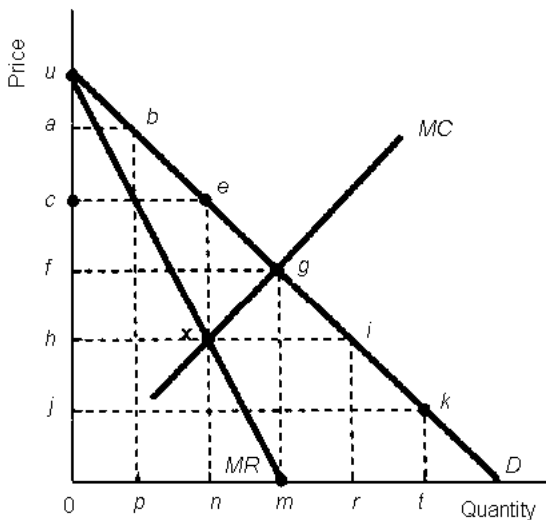
- 22) In Figure 13.8, the short-run increase in producer surplus caused by producing under monopoly instead of perfect competition is _____
 A) \$6.00 per day. B) zero. C) \$3.00 per day. D) \$5.00 per day.

Figure 13.5



- 23) The monopoly in Figure 13.5 charges a single price. The deadweight loss caused by production under monopoly instead of perfect competition is _____
- A) \$22.50. B) \$45.00. C) \$0. D) \$90.00.

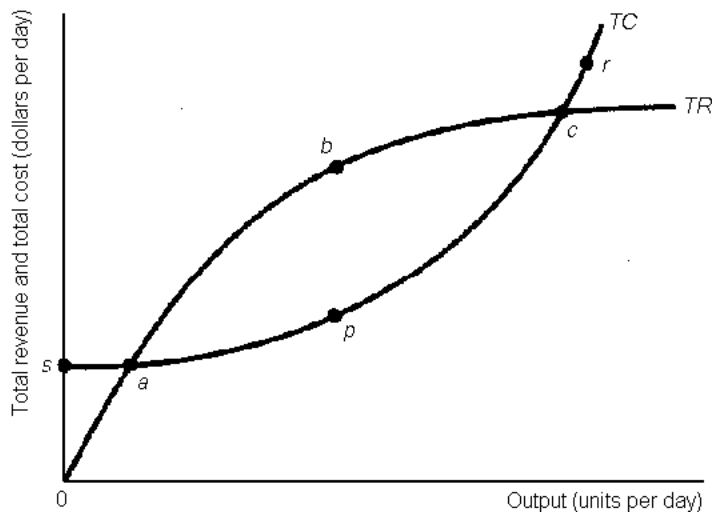
Figure 13.6



- 24) In Figure 13.6, a single-price unregulated monopoly will produce at output _____
- A) m. B) n. C) p. D) t.
- 25) In Figure 13.6, the transfer of consumer surplus from consumers to the producer caused by production under a single-price monopoly instead of perfect competition is the area of _____
- A) triangle egx. B) 1/2 of rectangle cexh.
 C) trapezoid cegf. D) rectangle cexh.

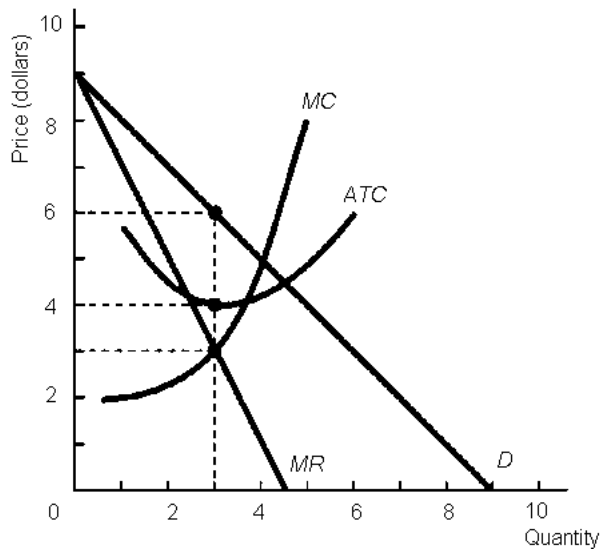
- 26) A patent grants _____
 A) an exclusive right to an inventor of a product.
 B) a guarantee of quality to consumers
 C) the right to practice a profession.
 D) control over a unique source or supply of raw materials.
- 27) All of the following are true of a firm that is a natural monopoly EXCEPT that _____
 A) the firm is not protected by any barriers to entry.
 B) its average total cost curve slopes downward as it intersects the demand curve.
 C) economies of scale prevail to a very high level of output.
 D) the firm can supply the entire market at a lower cost than two or more firms could.
- 28) In monopoly, the industry demand curve is the firm's _____
 A) supply curve. B) demand curve.
 C) marginal revenue curve. D) profit function.

Figure 13.3



- 29) In Figure 13.3, a monopoly's profits are positive between points _____
 A) s and r. B) a and c. C) c and r. D) s and a. 29) _____
- 30) In Figure 13.3, a monopoly's profits are maximized at point _____
 A) c. B) a. C) b. D) r. 30) _____
- 31) In Figure 13.3, marginal cost is highest at _____
 A) r. B) c. C) a. D) p. 31) _____

Figure 13.4



32) For the unregulated monopoly in Figure 13.4, total profit will be approximately

- A) \$6. B) \$3. C) \$9. D) \$4.

32) _____