Chapter 12 MONOPOLY

Market Power

Topic: Market Power
Skill: Recognition
1) Unregulated monopolies
   A) take the market price as given.
   B) cannot incorporate.
   C) cannot change the market quantity.
   D) can influence the market quantity and price.
Answer: D

How Monopoly Arises

2) The following are key features of a monopoly EXCEPT
   A) the monopoly is protected by a barrier to entry.
   B) no close substitutes exist for the good or service.
   C) the monopoly has a strong influence over the price of the good or service.
   D) the monopoly has severe diseconomies of scale.
Answer: D

3) Which of the following statements about a monopoly is FALSE?
   A) Monopolies have no barriers to entry or exit.
   B) The good produced by a monopoly has no close substitutes.
   C) A monopoly is the only producer of the good.
   D) None of the above; that is, all of the above answers are true statements about a monopoly.
Answer: A

Legal Barriers To Entry

4) Which of the following is LEAST likely to be a monopoly?
   A) The holder of a public franchise.
   B) A pharmaceutical company with a patent on a drug.
   C) A store in a large shopping mall.
   D) The sole owner of an occupational license.
Answer: C

5) A public franchise is
   A) an exclusive right granted to a firm to supply a good or service.
   B) a government issued license required to practice a profession.
   C) an exclusive right granted to an inventor of a product.
   D) a unique source of raw materials.
Answer: A

6) Public franchises create monopolies by restricting
   A) demand.
   B) prices.
   C) entry.
   D) profit.
Answer: C

7) A patent grants
   A) a guarantee of quality to consumers.
   B) the right to practice a profession.
   C) an exclusive right to an inventor of a product.
   D) control over a unique source or supply of raw materials.
Answer: C
8) Patents create monopolies by restricting
   A) demand.
   B) prices.
   C) entry.
   D) profit.
   **Answer: C**

9) Patents are ____ barriers to entry and public franchises are ____ barriers to entry.
   A) legal; legal
   B) legal; natural
   C) natural; legal
   D) natural; natural
   **Answer: A**

10) An industry in which one firm can supply the entire market at a lower price than two or more firms can be called a
    A) legal monopoly.
    B) natural monopoly.
    C) single-price monopoly.
    D) price-discriminating monopoly.
    **Answer: B**

11) Which of the following is true of a natural monopoly?
    A) Its long-run average cost curve slopes upward as it intersects the demand curve.
    B) Economies of scale exist to only a very low level of output.
    C) The firm can supply the entire market at a lower cost than could two or more firms.
    D) The firm is not protected by any barrier to entry.
    **Answer: C**
15) Given the market demand and cost data in the above figure, the existence of two firms equal sized firms producing a total of 8 million cubic feet of natural gas means that the long-run average cost of producing natural gas is
A) 10 cents per cubic foot.
B) 20 cents per cubic foot.
C) 30 cents per cubic foot.
D) 40 cents per cubic foot.
Answer: B

16) Given the market demand and cost data in the above figure, the existence of a monopoly firm producing 8 million cubic feet of natural gas makes it possible to produce natural gas at a long-run average cost of
A) 10 cents per cubic foot.
B) 20 cents per cubic foot.
C) 30 cents per cubic foot.
D) 40 cents per cubic foot.
Answer: A

A Single-Price Monopoly’s Output and Price Decisions

17) Total revenue equals
A) marginal revenue times quantity sold.
B) price times quantity sold.
C) total cost minus profit.
D) the area between the demand curve and the marginal revenue curve.
Answer: B

18) For a monopoly, the industry demand curve is the firm’s
A) supply curve.
B) marginal revenue curve.
C) demand curve.
D) profit function.
Answer: C

19) Monopolists
A) maximize revenue, not profits.
B) have no short-run fixed costs.
C) face downward sloping demand curves.
D) are price takers.
Answer: C

20) The marginal revenue curve for a single-price monopoly
A) lies below its demand curve.
B) coincides with its demand curve.
C) lies above its demand curve.
D) is horizontal.
Answer: A

21) For a single-price monopoly, marginal revenue is ______ when demand is elastic and is ______ when demand is inelastic.
A) negative; negative
B) negative; positive
C) positive; negative
D) positive; positive
Answer: C
22) If the price elasticity of demand is greater than 1, a monopoly’s
   A) total revenue increases when the firm lowers its price.
   B) total revenue decreases when the firm lowers its price.
   C) marginal revenue is negative.
   D) marginal revenue is zero.
   Answer: A

23) If the price elasticity of demand is less than 1, a monopoly’s
   A) total revenue increases when the firm lowers its price.
   B) total revenue decreases when the firm lowers its price.
   C) marginal revenue is undefined.
   D) marginal revenue is zero.
   Answer: B

24) If the demand for its product is elastic, a monopoly’s
   A) total revenue is unchanged when the firm lowers its price.
   B) total revenue decreases when the firm lowers its price.
   C) marginal revenue is positive.
   D) marginal revenue is zero.
   Answer: C

25) If the demand for its product is inelastic, a monopoly’s
   A) total revenue increases when the firm lowers its price.
   B) total revenue is unchanged when the firm lowers its price.
   C) marginal revenue is negative.
   D) marginal revenue is equal to zero.
   Answer: C

26) A monopoly firm expands its output and lowers its price. The firm finds that its total revenue falls. Hence, the firm is producing in the
   A) elastic range of its demand curve.
   B) inelastic range of its demand curve.
   C) elastic range of its supply curve.
   D) inelastic range of its supply curve.
   Answer: B

27) The figure above shows a monopoly firm’s demand curve. If the price and quantity of haircuts move from point t to point r, the monopoly’s
   A) total revenue will rise.
   B) total revenue will fall.
   C) total revenue will remain the same.
   D) marginal revenue will decrease.
   Answer: B

28) The figure above shows a monopoly firm’s demand curve. If the price and quantity of haircuts move from point t to point u, the monopoly’s
   A) total revenue will rise.
   B) total revenue will fall.
   C) total revenue will remain the same.
   D) marginal revenue will increase.
   Answer: B
**Topic: Marginal Revenue and Elasticity**  
**Skill: Conceptual**

29) The figure above shows a monopoly firm’s demand curve. At point $t$

A) demand is elastic.  
B) demand is unit elastic.  
C) demand is inelastic.  
D) total revenue is at a minimum.

**Answer:** B

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**Topic: Marginal Revenue and Elasticity**  
**Skill: Conceptual**

30) The figure above shows a monopoly firm’s demand curve. The monopoly’s total revenue is at its maximum when the firm produces at point

A) $x$.  
B) $r$.  
C) $t$.  
D) $u$.

**Answer:** C

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**Topic: Marginal Revenue and Elasticity**  
**Skill: Analytical**

31) The figure above shows a monopoly firm’s demand curve. The monopoly’s total revenue is zero at point

A) $x$.  
B) $r$.  
C) $t$.  
D) $u$.

**Answer:** A

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**Topic: Price and Marginal Revenue**  
**Skill: Conceptual**

32) The figure above shows a monopoly firm’s demand curve. At point $u$ in the figure, the demand facing the monopoly is

A) elastic.  
B) unit elastic.  
C) inelastic.  
D) less than the supply.

**Answer:** C

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**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

33) An unregulated monopoly will

A) flood the market with goods to deter entry.  
B) produce only where marginal revenue is zero.  
C) produce in the inelastic range of its demand curve.  
D) produce in the elastic range of its demand curve.

**Answer:** D

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**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

34) An unregulated monopoly finds that its marginal cost exceeds its marginal revenue. In order to increase its profit, the firm will

A) raise its price and decrease its output.  
B) lower its price and increase its output.  
C) raise its price and increase its output.  
D) continue to produce this level of output because any change will lower its profit.

**Answer:** A

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**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Recognition**

35) To its maximize profit, the monopolist produces on the _____ portion of its demand where ____.

A) elastic; $P = MC$  
B) elastic; $MR = MC$  
C) inelastic; $P = MC$  
D) inelastic; $MR = MC$

**Answer:** B

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**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

36) A single-price monopoly will set its price according to which of the following rules?

A) $P = MR$ and $MR$ equals $MC$.  
B) $P$ equals $MC$ where the $MC$ curve crosses the demand curve.  
C) $P$ equals $MR$ where the $MR$ curve crosses the demand curve.  
D) None of the above answers is correct.

**Answer:** D
37) A single-price monopolist will find when it produces its profit-maximizing output level that
A) price exceeds marginal revenue.
B) price exceeds marginal cost.
C) marginal revenue equals marginal cost.
D) All of the above occur at the profit-maximizing output level.

Answer: D

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<th>Price (dollars)</th>
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<th>Marginal revenue (dollars)</th>
<th>Total cost (dollars)</th>
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38) Using the data in the above table for a single-price monopolist, how many units of output will be produced?
A) 3 units.
B) 4 units.
C) 5 units.
D) 6 units.

Answer: B

39) Using the data in the above table for a single-price monopolist, how much total economic profit does the monopolist earn?
A) $9.
B) $23.
C) $13.
D) $72.

Answer: B

40) If the single-price monopolist whose cost and demand data are in the above table were forced to produce 5 units of output, what would be the monopolist’s economic profit?
A) $11.
B) $3.
C) $75.
D) $15.

Answer: D

41) Monopolies can earn an economic profit in the long run because of
A) rent seeking by competitors.
B) the elastic demand for the monopoly’s product.
C) the cost-savings gained by the monopoly.
D) barriers to enter the monopoly’s market.

Answer: D

42) In the long-run, a single-price monopolist will
A) not be able to continue to earn economic profits and will break even with a normal profit.
B) be able to continue to earn economic profits as long as the market remains a monopoly.
C) end up being regulated by the government because it is making short-run economic profits.
D) Both answers A and C are correct.

Answer: B
<table>
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<th>Price (dollars per repair)</th>
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<th>Total cost (dollars)</th>
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**Topic: Single-Price Monopoly's Output and Price Decisions**

**Skill: Analytical**

43) Dee’s TV Repair is the only TV repair shop in a small town. Dee is a single-price monopolist. Based on the demand and cost information in the table above, what quantity of TV repairs should Dee undertake?

A) 0 per week.
B) 10 per week.
C) 20 per week.
D) 30 per week.

**Answer: C**

**Topic: A Monopoly’s Economic Profit**

**Skill: Analytical**

44) Dee’s TV Repair is the only TV repair shop in a small town. Dee is a single-price monopolist. Based on the demand and cost information in the table above, what is the amount of economic profit earned or loss incurred at the quantity of TV repairs that profits are maximized or losses minimized?

A) –$400
B) $800
C) –$100
D) $200

**Answer: D**

45) The figure above shows a monopoly’s total revenue and total cost curves. The monopoly’s economic profit is positive if it produces between

A) 0 and 5 units.
B) 0 and 15 units.
C) 0 and 20 units.
D) 5 and 20 units.

**Answer: D**

46) The figure above shows a monopoly’s total revenue and total cost curves. The monopoly’s economic profit is zero if it produces

A) 0 units of output.
B) 5 or 20 units of output.
C) 15 units of output.
D) None of the above.

**Answer: B**
47) The figure above shows a monopoly’s total revenue and total cost curves. The monopoly’s economic profit is maximized when it produces

A) 0 units of output.
B) 5 units of output.
C) 15 units of output.
D) 20 units of output.

Answer: C

48) The figure above shows a monopoly’s total revenue and total cost curves. The monopoly’s marginal revenue equals its marginal cost when it produces

A) 0 units of output.
B) 5 units of output.
C) 15 units of output.
D) 20 units of output.

Answer: C

49) The monopoly with the TR and TC curves shown in the figure above will produce

A) 0 units of output.
B) 5 units of output.
C) 15 units of output.
D) 20 units of output.

Answer: C

50) For the unregulated, single-price monopoly shown in the figure above, when its profit is maximized, output will be

A) 4 units per year and the price will be $6.
B) 4 units per year and the price will be $4.
C) 6 units per year and the price will be $4.
D) None of the above answers is correct.

Answer: A

51) The unregulated, single-price monopoly shown in the figure above will produce where its demand

A) equals its MC curve.
B) equals its ATC curve.
C) is inelastic.
D) is elastic.

Answer: D

52) The unregulated, single-price monopoly shown in the figure above has a total economic profit of

A) $24.
B) $16.
C) $8.
D) $4.

Answer: C
53) The unregulated, single-price monopoly shown in the figure above will sell
   A) less than 30 tickets.  
   B) 30 tickets.  
   C) 50 tickets.  
   D) 100 tickets.  
   Answer: B

54) An unregulated, single-price monopoly is shown in the figure above. If fixed cost is $20, the monopoly’s total costs when it is maximizing its profit will be
   A) $30.  
   B) $40.  
   C) $80.  
   D) $140.  
   Answer: C

55) An unregulated, single-price monopoly is shown in the figure above. If fixed cost is $20, the monopoly’s total economic profit when it is maximizing its profit will be
   A) negative.  
   B) $0.  
   C) $25.  
   D) $50.  
   Answer: C

56) The monopoly illustrated in the figure above is unregulated and charges a single price. The deadweight loss created by the monopoly is
   A) $0.  
   B) $22.50.  
   C) $45.00.  
   D) $90.00.  
   Answer: B

57) Unregulated monopolies can often earn an economic profit in the long run because
   A) they receive government subsidies.  
   B) they have high costs.  
   C) barriers to entry prevent competing firms from entering the market.  
   D) the risks of running a monopoly are high.  
   Answer: C
CHAPTER 12

Topic: A Monopoly's Economic Profit
Skill: Analytical
58) The above figure shows the demand and cost curves for a monopolist. What is the maximum economic profit this firm can earn?
A) zero
B) $400
C) $100
D) $200
Answer: D

Single-Price Monopoly and Competition Compared

Topic: Single-Price Monopoly and Competition Compared
Skill: Conceptual
59) Which of the following is true for BOTH monopoly and perfect competition?
A) The demand for the individual firm’s product is perfectly elastic.
B) Economic profits can be sustained indefinitely over time.
C) Marginal revenue is horizontal at the industry equilibrium price.
D) Profits are maximized by producing at the level of output where marginal revenue is equal to marginal cost.
Answer: D

60) A key difference between a monopoly and a firm that operates in a perfectly competitive market is that the monopolist
A) does not face fixed costs in the short run.
B) has a marginal revenue curve that lies below its demand curve.
C) always earns gigantic profits.
D) faces a perfectly elastic demand for its product.
Answer: B

Topic: Comparing Output and Price; Output
Skill: Analytical
61) Compared to a single-price monopoly, a perfectly competitive industry produces
A) less output and has a lower price.
B) less output and has a higher price.
C) more output and has a lower price.
D) more output and has a higher price.
Answer: C

62) Which of the following statements is true?
A) A perfectly competitive industry produces more output and charges a lower price than a single-price monopoly.
B) A perfectly competitive industry produces more output and charges the same price as a single-price monopoly.
C) A perfectly competitive industry produces less output but charges a lower price than a single-price monopoly.
D) A perfectly competitive industry produces less output and charges the same price as a single-price monopoly.
Answer: A

63) The fundamental reason a single-price monopoly creates a deadweight loss is that it
A) raises variable cost.
B) raises fixed cost.
C) restricts output.
D) reduces the elasticity of demand.
Answer: C
**Topic: Total Revenue**
**Skill: Analytical**
64) The unregulated, single-price monopolist illustrated in the figure above has a total revenue of

A) $8.00 per day.
B) $16.00 per day.
C) $36.00 per day.
D) $40.00 per day.

**Answer: D**

**Topic: Total Cost**
**Skill: Conceptual**
65) The unregulated, single-price monopolist illustrated in the figure above has a total cost of

A) $8.00 per day.
B) $16.00 per day.
C) $32.00 per day.
D) $40.00 per day.

**Answer: C**

**Topic: Economic Profit**
**Skill: Analytical**
66) The unregulated, single-price monopolist illustrated in the figure above earns an economic profit of

A) zero.
B) $8.00 per day.
C) $10.00 per day.
D) $40.00 per day.

**Answer: B**

**Topic: Comparing Output and Price; Output**
**Skill: Conceptual**
67) The unregulated, single-price monopolist illustrated in the figure above will produce

A) 0 units per day.
B) 4 units per day.
C) 6 units per day.
D) 9 units per day.

**Answer: B**

**Topic: Comparing Output and Price; Output**
**Skill: Analytical**
68) In the figure above, compared to a perfectly competitive industry with the same costs, a single-price, unregulated monopoly will decrease production by

A) zero.
B) 2 units per day.
C) 4 units per day.
D) 6 units per day.

**Answer: B**

**Topic: Comparing Output and Price; Price**
**Skill: Analytical**
69) The unregulated, single-price monopolist illustrated in the figure above will set a price of

A) $2.00 per unit.
B) $6.00 per unit.
C) $8.00 per unit.
D) $10.00 per unit.

**Answer: D**

**Topic: Comparing Output and Price; Price**
**Skill: Analytical**
70) In the figure above, compared to a perfectly competitive industry with the same costs, a single-price, unregulated monopoly will raise the price by

A) $2.00 per unit.
B) $4.00 per unit.
C) $6.00 per unit.
D) $8.00 per unit.

**Answer: B**
71) In the figure above, the deadweight loss created if the industry changes from perfectly competitive to a single-price, unregulated monopoly is
A) zero.
B) $8.00 per day.
C) $24.00 per day.
D) $36.00 per day.
Answer: B

72) In the figure above, the redistribution from the consumers to the producer if the firm is a single-price, unregulated monopoly rather than a perfectly competitive industry is
A) zero.
B) $8.00 per day.
C) $16.00 per day.
D) $32.00 per day.
Answer: C

73) In the figure above, the single-price, unregulated monopoly produces
A) less than 20 units per day.
B) 20 units per day.
C) between 20 and 40 units per day.
D) 40 or more units per day.
Answer: B

74) If the industry in the above figure was perfectly competitive, the level of output would
A) be less than the single-price monopoly level of output.
B) be the same as the single-price monopoly level of output.
C) exceed the single-price monopoly level of output by 20 units.
D) exceed the single-price monopoly level of output by 60 units.
Answer: C

75) In the figure above, the efficient amount of output is
A) 20 units.
B) 40 units.
C) 60 units.
D) 80 units.
Answer: B

76) The output produced by the single-price, unregulated monopoly in the above figure is
A) efficient because profit is maximized.
B) inefficient because too little is produced.
C) efficient because marginal costs equals marginal revenue.
D) inefficient because too much is produced.
Answer: B

77) In the figure above, the single-price, unregulated monopoly sets a price of
A) $80 per unit.
B) $60 per unit.
C) $40 per unit.
D) $0 per unit.
Answer: B
**Topic: Redistribution of Surpluses**  
**Skill: Recognition**

78) Consumer surplus is
- A) positive in the case of a monopolist practicing perfect price discrimination.
- B) equal to the price minus the marginal cost.
- C) less in the case of a single-price monopoly than in the case of a perfectly competitive industry.
- D) zero for a single-price monopolist.

**Answer: C**

**Topic: Redistribution of Surpluses**  
**Skill: Conceptual**

79) In comparison with a perfect competition, a single-price monopolist with the same costs
- A) generates a smaller consumer surplus but a larger economic profit.
- B) generates a smaller consumer surplus and a smaller economic profit.
- C) generates a larger consumer surplus and a larger economic profit.
- D) generates a larger consumer surplus and a smaller economic profit.

**Answer: A**

**Topic: Redistribution of Surpluses**  
**Skill: Analytical**

80) Compared to a competitive industry, a monopoly transfers
- A) deadweight loss away from producers to consumers.
- B) deadweight loss away from consumers to producers.
- C) producer surplus to consumers.
- D) consumer surplus to producers.

**Answer: D**

**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

81) Consider the monopolist depicted in the figure above. The profit maximizing level of output for a single-price monopolist is
- A) 7.
- B) 11.
- C) 13.
- D) 22.

**Answer: A**

**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

82) Consider the monopolist depicted in the figure above. The price a single-price monopolist will charge for the profit-maximizing level of output is
- A) $4.
- B) $7.
- C) $9.
- D) $11.

**Answer: D**

**Topic: Comparing Output and Price**  
**Skill: Analytical**

83) If the above figure illustrated a perfectly competitive industry, the equilibrium industry output would be equal to
- A) 7.
- B) 11.
- C) 13.
- D) 22.

**Answer: C**
84) If the above figure illustrated a perfectly competitive industry, the equilibrium industry price would be equal to
A) $4.
B) $7.
C) $9.
D) $11.
Answer: B

85) In the above figure, if a single-price monopolist maximized its profit, the deadweight loss in the market is equal to the area
A) ace.
B) acg.
C) ecg.
D) bch.
Answer: B

86) Which area(s) in the above figure indicates consumer surplus at the price and quantity that would be attained if the industry were perfectly competitive?
A) $\ A + B + C + D$
B) $\ A + B + C + D + E$
C) $\ F + G + H$
D) $\ A + B + C + D + E + F + G + H$
Answer: B

87) Which area(s) in the above figure indicates producer surplus at the price and quantity that would be attained if the industry were perfectly competitive?
A) $\ A + B + C + D + E$
B) $\ C + D + E + F + G + H$
C) $\ F + G + H$
D) $\ F + G + H + I + J + K$
Answer: C
Topic: Comparing Output and Price  
Skill: Conceptual  
88) Which area(s) in the above figure indicates consumer surplus at the price and quantity that would be set by a single-price monopoly?  
A) $A + B$  
B) $A + B + C + D + E$  
C) $C + D$  
D) $C + D + E + F + G + H$  
Answer: A  

Topic: Redistribution of Surpluses  
Skill: Conceptual  
89) Which area(s) in the above figure indicates producer surplus at the price and quantity that would be set by a single-price monopoly?  
A) $C + D$  
B) $C + D + E$  
C) $C + D + F + G$  
D) $C + D + F + G + I$  
Answer: C  

Topic: Redistribution of Surpluses  
Skill: Conceptual  
90) In the above figure, if the market was a single-price monopoly rather than perfectly competitive, which area shows the transfer from consumers to producers?  
A) $A + B$  
B) $C + D$  
C) $C + D + E$  
D) $E + H$  
Answer: B  

Topic: Deadweight Loss  
Skill: Conceptual  
91) In the above figure, which area is the deadweight loss from a single-price monopoly?  
A) $E$  
B) $E + H$  
C) $E + H + K$  
D) $E + H + K + J$  
Answer: B  

Topic: Deadweight Loss  
Skill: Analytical  
92) In the monopoly market depicted in the above figure, with a single-price monopoly, which area represents deadweight loss?  
A) Area $FHIL$  
B) Area $GHJM$  
C) Area $IJH$  
D) Area $LJK$  
Answer: D  

Topic: Redistribution of Surpluses  
Skill: Analytical  
93) In the monopoly market depicted in the above figure, with a single-price monopoly in the market, which area represents consumer surplus?  
A) Area $GHIL$  
B) Area $HIJ$  
C) Area $HJKG$  
D) Area $NFL$  
Answer: B  

Topic: Rent Seeking  
Skill: Recognition  
94) Any attempt to capture a consumer surplus, a producer surplus, or an economic profit is called  
A) profit-maximizing.  
B) rent-seeking.  
C) price discriminating.  
D) efficiency gain.  
Answer: B
### Topic: Rent Seeking
#### Skill: Recognition
95) Efforts by a firm to obtain a monopoly
   A) are called price discrimination.
   B) raise consumer surplus.
   C) are called rent seeking.
   D) are called price taking.
   **Answer: C**

96) Activity aimed at creating artificial barriers to entry to a particular market
   A) is rent seeking.
   B) has no social cost.
   C) improves competition.
   D) improves the economy’s efficiency.
   **Answer: A**

97) Rent seeking is devoted to the creation of
   A) monopolies.
   B) competitive industries.
   C) human capital.
   D) more elastic demand.
   **Answer: A**

### Topic: Rent-Seeking Equilibrium
#### Skill: Conceptual
98) Rent seeking through lobbying
   A) reduces deadweight loss.
   B) uses up resources.
   C) results in perfect price discrimination.
   D) results in perfectly competitive industries.
   **Answer: B**

99) The value of resources devoted to rent seeking will
   A) equal the monopoly’s economic profits.
   B) reduce deadweight loss.
   C) reduce consumer surplus.
   D) raise output to an efficient level.
   **Answer: A**

#### Skill: Conceptual
100) Which of the following is NOT necessary for a firm to engage in price discrimination?
   A) The firm must be able to identify different types of buyers.
   B) The firm must be able to separate buyers by preventing resales from one customer to another.
   C) The firm must produce output for different buyers at different costs.
   D) The firm must sell a product that cannot be resold.
   **Answer: C**

101) Price discrimination
   A) is common in perfectly competitive markets.
   B) is more likely for services than for goods that can be stored.
   C) is illegal because it always violates antitrust laws.
   D) works only if all groups of demanders have the same price elasticity of demand for the product.
   **Answer: B**

102) Price discrimination by a monopoly
   A) increases consumer surplus.
   B) decreases consumer surplus.
   C) increases the firm’s profit.
   D) Both answers B and C are correct.
   **Answer: D**

103) A monopolist engages in price discrimination because
   A) it is philanthropic.
   B) its primary goal is to maximize total revenue.
   C) price discrimination will allow it to earn greater economic profit than charging the same price to all customers.
   D) it is less expensive than charging the same price to all customers.
   **Answer: C**
**Topic: Profiting By Price Discriminating**  
**Skill: Conceptual**

104) A price discriminating monopolist charges lower prices to customers with

A) lower supply elasticities.
B) higher supply elasticities.
C) lower average willingness-to-pay.
D) higher average willingness-to-pay.

**Answer: C**

**Topic: Profiting By Price Discriminating**  
**Skill: Conceptual**

105) Monopolists are able to practice price discriminating because

A) of differing average willingness-to-pay among consumers.
B) of differing price elasticities of supply.
C) they have constant marginal cost.
D) they have constant average cost.

**Answer: A**

**Topic: Profiting By Price Discriminating**  
**Skill: Analytical**

106) The more perfectly a monopoly can price discriminate, the

A) smaller its output and the lower its profits.
B) smaller its output and the higher its profits.
C) larger its output and the lower its profits.
D) larger its output and the higher its profits.

**Answer: D**

**Topic: Perfect Price Discrimination**  
**Skill: Conceptual**

108) In the case of a perfectly price-discriminating monopoly, there is no

A) transfer of consumer surplus to the producer.
B) deadweight loss.
C) short-run economic profit.
D) long-run economic profit.

**Answer: B**

**Demand Schedule Facing a Perfectly Price Discriminating Firm**

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<tr>
<th>Price (dollars)</th>
<th>Quantity Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
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</tr>
<tr>
<td>7</td>
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</tr>
<tr>
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<td>2</td>
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<tr>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

109) Using the demand schedule in the above table, if the firm’s marginal cost is constant at $3.00, output for a perfect price discriminating monopolist is

A) 2 units.
B) 3 units.
C) 4 units.
D) 5 units.

**Answer: D**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

110) Using the demand schedule in the above table, the marginal revenue for the perfectly price discriminating monopolist from the sale of the third unit of output is

A) $3.
B) $4.
C) $5.
D) $6.

**Answer: C**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

111) Using the demand schedule in the table above, the total revenue a perfectly price discriminating monopolist receives from selling 5 units of output is

A) $5.
B) $15.
C) $18.
D) $25.

**Answer: D**
**Topic: Perfect Price Discrimination**  
**Skill: Conceptual**

112) If the monopoly illustrated in the figure above could engage in perfect price discrimination, then each buyer would pay

A) $2.00.  
B) $3.00.  
C) $3.50.  
D) a different price.

**Answer: D**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

113) If the monopoly illustrated in the figure above could engage in perfect price discrimination, then the lowest ticket price would be

A) $1.00.  
B) $2.00.  
C) $3.00.  
D) $3.50.

**Answer: B**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

114) If the monopoly illustrated in the figure above could engage in perfect price discrimination, then it would sell

A) 30 tickets.  
B) 50 tickets.  
C) 60 tickets.  
D) 100 tickets.

**Answer: C**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

115) If the monopoly illustrated in the figure above could engage in perfect price discrimination, then total revenue collected by the firm would be

A) $110.  
B) $120.  
C) $210.  
D) $310.

**Answer: C**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

116) In the figure above, what is the loss of consumer surplus if the firm is a perfectly price-discriminating monopoly instead of a perfectly competitive industry?

A) $0.  
B) $22.50.  
C) $45.00.  
D) $90.00.

**Answer: D**

**Topic: Efficiency With Price Discrimination**  
**Skill: Analytical**

117) If the monopoly illustrated in the figure above could engage in perfect price discrimination, the deadweight loss would be

A) $0.  
B) $22.50.  
C) $90.00.  
D) $250.00.

**Answer: A**
118) In the figure above, the elasticity of demand facing the monopoly equals one when it produces ____ output.
A) $h$
B) $j$
C) $k$
D) None of the above.
Answer: C

119) In the figure above, a single-price unregulated monopoly will set price
A) $a$
B) $b$
C) $c$
D) $d$
Answer: B

120) In the figure above, a single-price unregulated monopoly will produce at output
A) $h$
B) $j$
C) $k$
D) None of the above.
Answer: A

121) In the figure above, 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) trapezoid $beci$
B) triangle $abe$
C) rectangle $begd$
D) rectangle $befc$
Answer: D

122) In the figure above, consumer surplus at the price that maximizes the profit for an unregulated, single-price monopolist is the area of
A) rectangle $0heb$
B) triangle $abe$
C) triangle $eig$
D) rectangle $0hgd$
Answer: B

123) In the figure above, the deadweight loss from production under a single-price monopoly instead of perfect competition is the area of
A) triangle $aeb$
B) triangle $acic$
C) triangle $eig$
D) triangle $eif$
Answer: C

124) In the figure above, a perfectly price-discriminating monopoly will maximize profit by producing at output
A) $h$
B) $j$
C) $k$
D) None of the above.
Answer: B
**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

125) In the figure above, the total revenue of a perfectly price-discriminating monopolist at the profit-maximizing output is equal to the area of

A) \(0\text{aij}\).
B) \(0\text{dgh}\).
C) \(\text{aci}\).
D) \(\text{obeij}\).

**Answer: A**

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**Topic: Single-Price Monopoly’s Output and Price Decisions**  
**Skill: Conceptual**

126) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals operates as a single-price monopoly, then

A) produce and sell 16 million inhalers at a price of $2 each.
B) produce and sell 10 million inhalers at a price of $5 each.
C) produce and sell 8 million inhalers at a price of $6 each.
D) produce and sell 8 million inhalers at a price of $2 each.

**Answer: C**

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**Topic: Redistribution of Surpluses**  
**Skill: Analytical**

127) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals operates as a single-price monopoly, then

A) consumer surplus equals zero and producer surplus is $64 million.
B) consumer surplus is $32 million and producer surplus is $32 million.
C) consumer surplus is $16 million and producer surplus is $32 million.
D) consumer surplus is $16 and producer surplus is $48 million.

**Answer: C**

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**Topic: Comparing Output and Price; Deadweight Loss**  
**Skill: Analytical**

128) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals operates as a single-price monopoly, then there will be a deadweight loss equal to

A) $24 million.
B) zero.
C) $16 million.
D) $32 million.

**Answer: C**
**Topic: Perfect Price Discrimination**  
**Skill: Conceptual**

129) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals could practice perfect price discrimination, then which of the following is true?

A) It would produce and sell 16 million inhalers.  
B) Inhalers would sell for $5 each.  
C) Inhalers would sell for $2 each.  
D) None of the above answers is correct.

**Answer: C**

**Topic: Perfect Price Discrimination**  
**Skill: Recognition**

130) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals could practice perfect price discrimination, then consumer surplus would equal

A) $64 million.  
B) $16 million.  
C) $32 million.  
D) zero.

**Answer: D**

**Topic: Perfect Price Discrimination**  
**Skill: Analytical**

131) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if Prime Pharmaceuticals could practice perfect price discrimination, then producer surplus would equal

A) $64 million.  
B) $16 million.  
C) $32 million.  
D) zero.

**Answer: A.**

**Topic: Efficiency and Rent Seeking with Price Discrimination**  
**Skill: Analytical**

132) Prime Pharmaceuticals has developed a new asthma medicine, for which they have a patent. An inhaler can be produced at a constant marginal cost of $2/inhaler. The demand curve, marginal revenue curve, and marginal cost curve for this new asthma inhaler are in the figure above. With its patent giving it a monopoly for its new inhaler, if there is competitive rent seeking, then Prime Pharmaceuticals’ producer surplus is equal to

A) $32 million.  
B) $48 million.  
C) zero.  
D) $64 million.

**Answer: C**

**Monopoly Policy Issues**

**Topic: Economies of Scale**  
**Skill: Recognition**

133) When an increase in a firm’s output of a good or service brings a decrease in the average total cost of producing it, the firm is experiencing

A) economies of scope.  
B) diseconomies of scale.  
C) economies of scale.  
D) diminishing returns.

**Answer: C**
**Topic: Economies of Scope**  
**Skill: Recognition**

134) Economies of scope arise when 
A) an increase in output causes average total cost to fall.  
B) an increase in the range of goods produced causes average total cost to fall.  
C) doubling inputs causes output to more than double.  
D) high profit allows a company to undertake research and development.  

**Answer: B**

**Topic: Economies of Scope**  
**Skill: Recognition**

135) When an increase in the range of goods produced brings a decrease in the average total cost of production, the firm is experiencing 
A) economies of scope.  
B) diseconomies of scale.  
C) economies of scale.  
D) diminishing returns.  

**Answer: A**

**Topic: Gains From Monopoly**  
**Skill: Conceptual**

136) Which of the following is NOT a possible gain to society from a monopoly? 
A) The monopoly may create rent seeking.  
B) The monopoly may achieve economies of scale.  
C) The monopoly may achieve economies of scope.  
D) The monopoly may achieve innovation.  

**Answer: A**

**Topic: Regulating Natural Monopoly**  
**Skill: Conceptual**

138) Which of the following statements regarding an average-cost pricing rule for a natural monopoly is incorrect? 
A) It sets price equal to average total cost.  
B) It is efficient.  
C) The firm earns a normal profit.  
D) More output is produced than if the firm maximized profit.  

**Answer: B**

**Study Guide Questions**

**Topic: Study Guide Question, Price and Marginal Revenue**  
**Skill: Analytical**

139) In a small town, Marilyn’s Christmas Tree Lot has a monopoly on sales of Christmas trees. In order to increase her sales from 100 trees to 101 trees, she must drop the price of all of her trees from $20 to $19. What is the marginal revenue?  
A) $2000.  
B) $20.  
C) $19.  
D) negative $81.  

**Answer: D**

**Topic: Study Guide Question, Monopoly Price-Setting Strategies**  
**Skill: Conceptual**

140) A single-price monopoly 
A) charges all consumers the lowest price that they want to pay for each unit purchased.  
B) produces less output than it would if it could discriminate.  
C) eliminates all the consumer surplus.  
D) creates a smaller deadweight loss than it would if it could discriminate.  

**Answer: B**
141) Because of a decrease in labor costs, a monopoly finds that its marginal cost and average total cost have decreased. The monopoly will
A) raise its price and increase the quantity it produces.
B) raise its price and decrease the quantity it produces.
C) lower its price and increase the quantity it produces.
D) lower its price and decrease the quantity it produces.
Answer: C

142) If a monopoly is producing at an output level at which marginal revenue exceeds marginal cost, in order to increase its profit it will
A) raise its price and decrease its output.
B) lower its price and increase its output.
C) lower its price and decrease its output.
D) raise its price and increase its output.
Answer: B

143) Compared to a single-price monopoly, the output of a perfectly competitive industry with the same costs
A) is more than the monopoly’s output.
B) is the same as the monopoly’s output.
C) is less than the monopoly’s output.
D) could be more than, less than, or equal to the monopoly’s output.
Answer: A

144) Compared to a single-price monopoly, the price charged by a competitive industry with the same costs
A) is higher than the monopoly’s price.
B) is the same as the monopoly’s price.
C) is lower than the monopoly’s price.
D) could be higher than, lower than, or the same as the monopoly’s price.
Answer: C

145) If a perfectly competitive industry becomes a monopoly and the costs do not change, which of the following allocation of costs and benefits applies?
A) The producer benefits, but consumers and society are harmed.
B) The producer and society are harmed, but consumers benefit.
C) The producer and society benefit, but consumers are harmed.
D) The producer is harmed, but consumers and society benefit.
Answer: A

146) Consumer surplus is largest for
A) a perfectly competitive industry.
B) a single-price monopoly.
C) any price-discriminating monopoly.
D) a perfectly price-discriminating monopoly.
Answer: A
**Topic: Study Guide Question, Gains From Monopoly**  
**Skill: Conceptual**

147) Which of the following might be a gain to society from monopoly?

A) Monopolists do not waste resources trying to innovate.
B) Monopolies might be able to generate economies of scale.
C) Monopolies might be able to price discriminate, thereby boosting consumer surplus.
D) Monopolies might earn an economic profit in the long run.

**Answer: B**

**MyEconLab Questions**

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**Topic: Parallel MyEconLab, Single Price Monopoly**  
**Skill: Analytical**

148) La Bella Pizza is the only pizza place on Pepper Island. The figure above shows La Bella Pizza’s demand curve, marginal revenue curve, and marginal cost curve. At La Bella Pizza’s profit-maximizing output, its annual total revenue is

A) $168,000.  
B) $312,000.  
C) $336,000.  
D) $624,000.

**Answer: B**

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149) The figure above shows the demand curve facing Sue’s Surfboards, the sole renter of surfboards on Big Wave Island. Sue’s Surfboards currently rents 15 surfboards an hour. Sue’s total revenue from the 15 surfboards is

A) $300.  
B) $225.  
C) $150.  
D) $10.

**Answer: C**

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150) Sue’s Surfboards is the sole renter of surfboards on Big Wave Island. Sue’s demand and marginal revenue curves are illustrated in the figure above. The change in the total revenue from renting the 15th surfboard is

A) $20.  
B) $15.  
C) $10.  
D) $0.

**Answer: D**
151) The figure above shows the demand and marginal revenue curves facing Sue’s Surfboards, the sole renter of surfboards on Big Wave Island. If Sue is renting 25 surfboards an hour so that the marginal revenue is negative, then Sue’s Surfboards
A) can increase its profit by increasing the number of rentals.
B) must face an inelastic demand for surfboard rentals.
C) must face a unit elastic demand for surfboard rentals.
D) must face an elastic demand for surfboard rentals.
Answer: B

152) Bob’s Books is the only bookstore in town. The figure above shows the demand curve for books and Bob’s Books’ marginal revenue curve and marginal cost curve. Bob’s Books maximizes its profit and sets the price of a book equal to ____, and has total annual revenue of ____.
A) $40; $40,000.
B) $30; $60,000.
C) $20; $60,000.
D) $10; $40,000.
Answer: B
CHAPTER 12

Topic: Monopoly Price-Setting Strategies
Level 1: Definitions and Concepts
157) When Dominant Pizza is willing to sell a pizza to a student who lives on-campus at a lower price than it is willing to sell the identical pizza to a student who lives a block away from the campus, the pizza firm is ____.
A) practicing price discrimination
B) unfair
C) incurring a loss on on-campus sales
D) eliminating all competition
Answer: A

Topic: Monopoly Price-Setting Strategies
Level 1: Definitions and Concepts
158) A monopoly that sells every unit of its output at the same price is a ____.
A) unit-price monopoly
B) legal monopoly
C) natural monopoly
D) single-price monopoly
Answer: D

Topic: Producer Surplus
Level 1: Definitions and Concepts
159) Producer surplus is equal to ____.
A) the price of a good minus the value the consumer places on it
B) the producer’s revenue minus the value of the good
C) the opportunity cost of producing the good minus the marginal cost
D) the producer’s revenue minus the opportunity cost of production
Answer: D

Topic: Comparing Output and Price; Deadweight Loss
Level 1: Definitions and Concepts
160) Deadweight loss measures the inefficiency of the market as the loss of ____.
A) consumer surplus and producer surplus
B) producer surplus only
C) consumer surplus only
D) consumer surplus minus producer surplus
Answer: A

Topic: Rent Seeking
Level 1: Definitions and Concepts
161) The attempt to capture consumer surplus, producer surplus, or economic profit is called ____.
A) a natural monopoly
B) price discrimination
C) rent seeking
D) gouging
Answer: C

Topic: Consumer Surplus
Level 1: Definitions and Concepts
162) Consumer surplus is the ____ summed over the quantity purchased.
A) price of a good minus the value the consumer places on it
B) opportunity cost of a good minus its value
C) price of a good minus its opportunity cost
D) value the consumer places on a good minus its price
Answer: D

Topic: Legal Barriers To Entry
Level 2: Using Definitions and Concepts
163) A copyright creates a monopoly by restricting ____.
A) the prices that can be charged
B) demand for the product
C) entry into the market
D) the number of creators and inventors
Answer: C

Topic: Legal Barriers To Entry
Level 2: Using Definitions and Concepts
164) A patent creates a monopoly by restricting ____.
A) demand for the product
B) the number of complements for the product
C) the amount of advertising that can be undertaken
D) entry into the market
Answer: D

Topic: How Monopoly Arises
Level 2: Using Definitions and Concepts
165) Which of the following firms is most likely to be a monopoly?
A) local restaurant
B) local distributor of water
C) local book store
D) clothing store
Answer: B
Topic: Natural Monopoly
Level 2: Using Definitions and Concepts
166) When the demand for a good or service limits the quantity that can be sold to an output at which the firm experiences economies of scale, the ____.
A) firm is a single-price monopoly
B) good that the industry produces has close substitutes
C) firm is a natural monopoly
D) firms are protected from competition by a legal barrier
Answer: C

Topic: Price Discrimination
Level 2: Using Definitions and Concepts
167) Firms that can price discriminate between customers do so to ____.
A) increase consumer surplus
B) increase employment
C) increase their profit
D) decrease the quantity they produce
Answer: C

Topic: Single-Price Monopoly's Output and Price Decisions
Level 2: Using Definitions and Concepts
168) A single-price monopolist will produce the output at which ____.
A) marginal revenue equals marginal cost
B) demand is perfectly inelastic
C) marginal revenue is zero
D) demand is inelastic but not perfectly inelastic
Answer: A

Topic: Rent Seeking
Level 2: Using Definitions and Concepts
169) The maximum amount a rent seeker would pay for a monopoly is the ____.
A) market price
B) deadweight loss
C) monopoly's economic profit
D) monopoly's normal profit
Answer: C

Topic: Comparing Output and Price; Deadweight Loss
Level 2: Using Definitions and Concepts
170) A single-price monopoly causes a deadweight loss because it ____.
A) restricts its output
B) increases the amount produced beyond the efficient quantity
C) maximizes marginal revenue rather than minimizes marginal cost
D) increases marginal cost
Answer: A

Topic: Perfect Price Discrimination
Level 2: Using Definitions and Concepts
171) When a monopoly perfectly price discriminates, there is ____.
A) no producer surplus
B) an increase in supply
C) no consumer surplus
D) a large consumer surplus
Answer: C

Topic: Perfect Price Discrimination
Level 2: Using Definitions and Concepts
172) A perfect price discriminating monopoly produces ____.
A) a larger output than a perfectly competitive industry
B) the same quantity as a single-price monopoly
C) an output at which marginal revenue exceeds marginal cost
D) the same quantity of output as a perfectly competitive industry
Answer: D

Topic: Marginal Revenue and Elasticity
Level 3: Calculations and Predictions
173) Tris owns the only auto repair shop on Lonely Island. Tris is a single-price monopoly, so Tris operates on the ____ part of the ____ curve.
A) elastic; supply
B) inelastic; supply
C) inelastic; demand
D) elastic; demand
Answer: D
174) Suppose that a monopoly is currently producing the quantity at which marginal revenue is less than marginal cost. The monopoly can increase its profit by ____.
A) shutting down
B) lowering its price and increasing its output
C) raising its price and decreasing its output
D) lowering its price and decreasing its output
Answer: C

175) Donna owns the only dog grooming salon on Lonely Island. The figure above shows the dog grooming market. Donna is a single-price monopoly that maximizes profit by charging ____ per grooming and producing ____ groomings per day.
A) $30; 8
B) $20; $8
C) $20; $12
D) None of the above answers is correct.
Answer: A

176) The figure shows the demand for and costs of producing Charlene’s Chocolates. If Charlene’s Chocolates is a monopoly and charges one price to all customers, then the consumer surplus is ____.
A) $400
B) $900
C) $0
D) $200
Answer: A

177) The figure above shows the demand for and costs of producing Charlene’s Chocolates. If Charlene’s Chocolates charges one price to all customers, its monopoly’s gain is ____ and it creates a dead-weight loss of ____.
A) $800; $400
B) $200; $100
C) $400; $200
D) $0; $200
Answer: C
Topic: Rent Seeking
Level 3: Calculations and Predictions
178) Rent seeking ____.
A) increases consumer surplus
B) occurs only when the firm practices perfect price discrimination
C) increases deadweight loss
D) results in a larger output than a competitive industry would produce
Answer: C

Topic: Price Discrimination
Level 3: Calculations and Predictions
179) Donna owns the only dog grooming salon on Lonely Island. If Donna price discriminates between dog owners who are seniors and those who are not, her economic profit will be ____ than if she does not price discriminate and the number of dog groomings will be ____ than if she does not price discriminate.
A) greater; more
B) greater; less
C) less; more
D) less; less
Answer: A

Topic: Perfect Price Discrimination
Level 3: Calculations and Predictions
180) A monopoly can price discriminate between two groups of consumers if each group has ____.
A) a large consumer surplus
B) a different average willingness to pay
C) the same willingness to pay
D) the ability to resell the good to the other group.
Answer: B

Topic: Regulating Natural Monopoly
Level 3: Calculations and Predictions
182) A natural monopoly, which is regulated with an average cost pricing rule is ____.
A) efficient and incurs an economic loss
B) inefficient and earns a normal profit
C) inefficient and earns an economic profit
D) efficient and earns a normal profit
Answer: B

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<tr>
<th>Price (dollars per bottle)</th>
<th>Quantity demanded (bottles per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>1</td>
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<tr>
<td>12</td>
<td>2</td>
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<td>10</td>
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<tr>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>0</td>
<td>8</td>
</tr>
</tbody>
</table>

Topic: Marginal Revenue and Elasticity
Level 4: Advanced Calculations and Predictions
183) The table above gives the demand schedule for water bottled by Wanda’s Healthy Waters. If Wanda’s is a monopoly and maximizes its profit, what is the range of possible prices at Wanda’s will sell water?
A) at only $8 a bottle
B) any price below $8 a bottle
C) any price over $8 a bottle
D) at only $16 a bottle
Answer: C

Topic: Single-Price Monopoly’s Output and Price Decisions
Level 4: Advanced Calculations and Predictions
184) If the wage rate that a monopoly has to pay for labor services decreases, then its marginal cost curve ____.
A) and the demand curve shift rightward
B) and the marginal revenue and average total cost curves shift rightward
C) shifts rightward and so does the marginal revenue curve
D) shifts rightward and the marginal revenue curve does not change
Answer: D
**Topic: Single-Price Monopoly's Output and Price Decisions**

**Level 4: Advanced Calculations and Predictions**

185) The table above gives the demand schedule for water bottled by Wanda’s Healthy Waters. If the marginal cost is a constant $4 a bottle, Wanda’s will produce ____ a day and charge ____ a bottle.

A) 8 bottles; $8  
B) 4 bottles; $12  
C) 1 bottle; $15  
D) 6 bottles; $10  

**Answer:** D

**Topic: Single-Price Monopoly's Output and Price Decisions**

**Level 4: Advanced Calculations and Predictions**

186) The table above gives the demand schedule for water bottled by Wanda’s Healthy Waters. Wanda’s marginal cost is a constant $4 a bottle and has no fixed cost. Wanda’s makes an economic profit of ____ a day.

A) $0  
B) $24  
C) $36  
D) $60  

**Answer:** C

**Topic: Single-Price Monopoly's Output and Price Decisions**

**Level 4: Advanced Calculations and Predictions**

187) Roxie’s Movie Theatre is the only one in town. The table above gives the demand schedule for movies. If Roxie’s is a single-price monopoly and the marginal cost of a movie is $6, Roxie’s will charge ____ a movie and will sell ____ movie tickets a week.

A) $15; 100  
B) $12; 200  
C) $6; 400  
D) $9; 300  

**Answer:** B

**Topic: Price Discrimination**

**Level 4: Advanced Calculations and Predictions**

188) Roxie’s Movie Theatre has a monopoly and discovers that at $12 a movie, no one is buying movie tickets during weekdays. Roxie’s conducts a survey and the table above reveals the results of the survey. Roxie decides to price discriminate between weekend and weekday moviegoers. The marginal cost of a showing a movie is $6. Roxie’s charges ____ on weekdays and ____ on weekends.

A) $9; $12  
B) $6; $15  
C) $6; $18  
D) $3; $12  

**Answer:** A
Topic: Incentive to Innovate  
Level 4: Advanced Calculations and Predictions  
189) A monopoly might be more beneficial than a perfectly competitive industry if it _____.  
   A) employs fewer workers  
   B) has a bigger incentive to innovate  
   C) never price discriminates  
   D) produces where \( MR = MC \).  
Answer: B

Topic: Regulating Natural Monopoly  
Level 4: Advanced Calculations and Predictions  
190) A natural monopoly that charges the profit-maximizing price will produce ____ output than a _____.  
   A) a larger; natural monopoly regulated by an average cost pricing rule  
   B) a more efficient; perfectly competitive industry  
   C) the same; natural monopoly regulated by a marginal cost pricing rule  
   D) a smaller; natural monopoly regulated by a marginal cost pricing rule  
Answer: D

Topic: Regulating Natural Monopoly  
Level 4: Advanced Calculations and Predictions  
191) Mountain Water is a natural monopoly. The government decides to regulate Mountain Water by imposing a marginal cost pricing rule. The figure above shows the demand for Mountain Water. Marginal cost is $0.20 per bottle. The price of a bottle of Mountain Water is ____ , and ____ thousand bottles are sold per month.  
   A) $0.20; 400  
   B) $0.50; 250  
   C) $0.20; 500  
   D) $1.00; 500  
Answer: A
192) Natural gas is a natural monopoly. The figure above shows the market for natural gas in the city of Lucknow. When an average cost price rule regulation is imposed, the price per household per month is ____.

A) $20 and 30,000 households are served
B) $40 and 40,000 households are served
C) $40 and 30,000 households are served
D) $60 and 20,000 households are served

Answer: C