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

1) A monopoly is best defined as a firm that
   A) purchases its resources from only one supplier because of a barrier preventing it from buying from other suppliers.
   B) produces a good or service for which no close substitute exists and which is protected by a barrier that prevents other firms from selling that good or service.
   C) produces a good or service for which no close substitute exists and that sells all its output to one buyer because there is a barrier preventing other buyers from purchasing the good or service.
   D) cannot control the price it sets for its good or service because there is a barrier that prevents the firm from changing the price.

2) A natural monopoly is defined as
   A) a market in which competition and entry are restricted by the granting of a government license.
   B) a market in which competition and entry are restricted by the granting of a patent.
   C) any market where one firm constitutes the entire industry.
   D) an industry in which one firm can supply the entire market at a lower price than two or more firms.

3) The demand curve facing the monopolist is
   A) more elastic than the market demand curve.
   B) less elastic than the market demand curve.
   C) upward sloping.
   D) the same as the market demand curve.

4) A single-price monopoly is characterized by a marginal revenue curve that is
   A) horizontal.
   B) vertical.
   C) downward sloping.
   D) upward sloping.

5) For a single-price monopolist, price is ______ marginal revenue.
   A) less than
   B) less than or equal to but never more than
   C) greater than
   D) equal to

6) If a monopolist was operating in a price range where marginal revenue was negative, it would be
   A) in the unit elastic range of the demand for its product.
   B) in the inelastic range of the demand for its product.
   C) maximizing revenue but not profits.
   D) in the elastic range of the demand for its product.

7) For a single-price monopolist to sell one more unit of a good, it must
   A) raise the price on all units sold.
   B) lower the price on all units sold.
   C) lower the price on just the last unit sold.
   D) raise the price on just the last unit sold.
8) If marginal revenue equals zero, then demand at this level of output is
   A) unit elastic.       B) elastic.
   C) inelastic.         D) perfectly inelastic.

<table>
<thead>
<tr>
<th>Quantity (units)</th>
<th>Price (dollars per unit)</th>
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<tbody>
<tr>
<td>1</td>
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<td>2</td>
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9) The table above gives the demand for a monopolist’s output. Between which two quantities is marginal revenue equal to 0?
   A) 3 and 4       B) 1 and 2       C) 2 and 3       D) 4 and 5

10) Which of the following is ALWAYS true for a single-price monopolist in equilibrium?
    A) \( P = MC \)       B) \( P = MR \)       C) \( MC = ATC \)       D) \( MR = MC \)

11) A monopolist maximizes its profit by producing the amount of output where
    A) marginal revenue equals marginal cost.
    B) marginal revenue equals zero.
    C) total revenue equals total cost.
    D) price equals marginal cost.

12) Single-price monopolies maximize profit at the level of output where
    A) total revenue is maximized.
    B) marginal revenue is equal to marginal cost.
    C) price is equal to marginal cost.
    D) price is equal to marginal revenue.
13) The figure above shows the demand and cost curves for a single-price monopolist. What level of output maximizes the firm's economic profit?
A) 0 units  
B) 50 units  
C) 20 units  
D) 30 units

14) The figure above shows the demand and cost curves for a single-price monopolist. What price will the firm charge?
A) $50 per unit  
B) $10 per unit  
C) $20 per unit  
D) $30 per unit

15) The figure above shows the demand and cost curves for a single-price monopolist. What economic profit does this firm earn?
A) $400  
B) zero  
C) $600  
D) $200

<table>
<thead>
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<th>Price (dollars per unit)</th>
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<th>Total cost (dollars)</th>
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<td>85</td>
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</table>

16) The table above shows the demand and costs for a single-price monopolist. The firm will
A) maximize profits by producing 2 units.
B) operate on the elastic portion of its demand curve.
C) operate on the unit elastic portion of its demand curve.
D) maximize profits by producing 3 units.

17) The table above shows the demand and costs for a single-price monopolist. The firm will earn an economic profit of
A) $15.  
B) $45.  
C) $40.  
D) $25.
18) Why can a monopoly earn an economic profit in the long run?
   A) because there is only a single firm in the market
   B) because there are close substitutes for the firm’s product
   C) because the firm is protected by barriers to entry
   D) ALL of the above are reasons why a monopoly can earn an economic profit in the long run.

19) Relative to a perfectly competitive industry with the same cost and demand, a single-price
   monopolist produces
   A) less output and has a lower price.  B) more output and has a lower price.
   C) more output and has a higher price.  D) less output and has a higher price.

20) An attempt by a firm to create a monopoly and gain the economic profit from it is termed

21) Price discrimination is the practice of charging different prices to
   A) different countries because of tariffs and transportation costs.
   B) the same customers because of changes in cost.
   C) different customers even though cost of selling to each is the same.
   D) different customers because the costs of selling are different.

22) What condition must exist for a monopolist to effectively price discriminate?
   A) The monopolist must produce a good or service that can be resold.
   B) The monopolist must produce a good that cannot be resold.
   C) The monopolist must face consumers with identical willingness to pay.
   D) The monopolist must charge the highest price possible.

23) A perfect price discriminator
   A) is unable to earn economic profit.
   B) charges the maximum price for each unit that consumers are willing to pay.
   C) disregards the market demand curve.
   D) is able to get consumers to pay more for each unit than they are willing to pay.

24) The marginal cost pricing rule for a natural monopoly sets
   A) price equal to marginal cost.  B) price equal to average total cost.
   C) marginal cost equal to average total cost.  D) marginal revenue equal to marginal cost.

25) As a result of using the marginal cost pricing rule to regulate a natural monopoly, the
   A) monopolist produces an inefficient amount of product.
   B) monopolist is allowed to cover all its costs and earn a normal profit.
   C) natural monopoly will incur an economic loss.
   D) natural monopoly earns a normal profit.
Answer Key
Testname: MICRO QUIZ 6

1) B
2) D
3) D
4) C
5) C
6) B
7) B
8) A
9) D
10) D
11) A
12) B
13) C
14) D
15) D
16) A
17) A
18) C
19) D
20) A
21) C
22) B
23) B
24) A
25) C