1. Refer to the above diagram. At the profit-maximizing level of output, total revenue will be:
   A. $NM \times 0M$.
   B. $0AJE$.
   C. $0EGC$.
   D. $0EHB$.

2. For a pure monopolist marginal revenue is less than price because:
   A. the monopolist's demand curve is perfectly elastic.
   B. the monopolist's demand curve is perfectly inelastic.
   C. when a monopolist lowers price to sell more output, the lower price applies to all units sold.
   D. the monopolist's total revenue curve is linear and slopes upward to the right.

3. Suppose for a regulated monopoly that price equals minimum ATC but price exceeds MC. This means that:
   A. both productive and allocative efficiency are being achieved.
   B. productive efficiency is being achieved, but not allocative efficiency.
   C. allocative efficiency is being achieved, but not productive efficiency.
   D. neither productive nor allocative efficiency is being achieved.
4. Refer to the figure above. Suppose the graphs represent the demand for use of a local golf course for which there is no significant competition (it has a local monopoly); P denotes the price of a round of golf; Q is the quantity of rounds "sold" each day. If the left graph represents the demand during weekdays, and the right graph the weekend demand, this profit-maximizing golf course will earn how much economic profit over the course of a full seven-day week?
A. $4200.
B. $3700.
C. $3400.
D. $2700.
5. Refer to the above two diagrams for individual firms. In Figure 1 line B represents the firm's:
A. demand and marginal revenue curves.
B. marginal revenue curve only.
C. demand curve only.
D. average revenue curve only.

6. Which of the above diagrams correctly portray the demand (D) and marginal revenue (MR) curves of a pure monopolist that is able to price discriminate by charging each customer their maximum willingness to pay?
A. A
B. B
C. C
D. D

7. A nondiscriminating pure monopolist finds that it can sell its fiftieth unit of output for $50. We can surmise that the marginal:
A. cost of the fiftieth unit is also $50.
B. revenue of the fiftieth unit is also $50.
C. revenue of the fiftieth unit is less than $50.
D. revenue of the fiftieth unit is greater than $50.

8. In the short run a pure monopolist:
A. always earns an economic profit.
B. always earns a normal profit.
C. always realizes a loss.
D. may realize an economic profit, a normal profit, or a loss.
9. Refer to the above diagrams. In diagram (B) the profit-maximizing quantity is:
   A. $g$ and the profit-maximizing price is $e$.
   B. $h$ and the profit-maximizing price is $e$.
   C. $g$ and the profit-maximizing price is $f$.
   D. $g$ and the profit-maximizing price is $d$.

10. Refer to the above diagrams. The price will be ______ and the quantity will be ______ with the industry structure represented by diagram (B) compared to the one represented in (A).
    A. higher; higher.
    B. higher, lower.
    C. lower, lower.
    D. lower, higher.

11. If a monopolist were to produce in the inelastic segment of its demand curve:
    A. total revenue would be at a maximum.
    B. marginal revenue would be negative.
    C. the firm would be maximizing profits.
    D. it would necessarily incur a loss.
12. Refer to the above data for a nondiscriminating monopolist. At its profit-maximizing output, this firm's price will exceed its marginal cost by ____ and its average total cost by ____.
A. $20; $27.33.
B. $10; $10.40.
C. $24; $27.33.
D. $30; $20.50.

13. Which of the following approximates a pure monopoly?
A. the foreign exchange market
B. the Kansas City wheat market
C. the diamond market
D. the soft drink market

14. Which of the following is characteristic of a pure monopolist's demand curve?
A. Average revenue is less than price.
B. Its elasticity coefficient is 1 at all levels of output.
C. Price and marginal revenue are equal at all levels of output.
D. It is the same as the market demand curve.

15. In the long run a pure monopolist will maximize profits by producing that output at which marginal cost is equal to:
A. average total cost.
B. marginal revenue.
C. average variable cost.
D. average cost.

16. Economic profit in the long run is:
A. possible for both a pure monopoly and a pure competitor.
B. possible for a pure monopoly, but not for a pure competitor.
C. impossible for both a pure monopolist and a pure competitor.
D. only possible when barriers to entry are nonexistent.
17. Other things equal, a price discriminating monopolist will:
A. realize a smaller economic profit than a nondiscriminating monopolist.
B. produce a larger output than a nondiscriminating monopolist.
C. produce the same output as a nondiscriminating monopolist.
D. produce a smaller output than a nondiscriminating monopolist.

Answer the next question(s) on the basis of the following information for a pure monopolist:

<table>
<thead>
<tr>
<th>Output</th>
<th>Total cost</th>
<th>Product price</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$250</td>
<td>$500</td>
</tr>
<tr>
<td>1</td>
<td>260</td>
<td>300</td>
</tr>
<tr>
<td>2</td>
<td>290</td>
<td>250</td>
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<tr>
<td>3</td>
<td>350</td>
<td>200</td>
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<tr>
<td>4</td>
<td>480</td>
<td>150</td>
</tr>
<tr>
<td>5</td>
<td>700</td>
<td>100</td>
</tr>
</tbody>
</table>

18. How many units would the above profit-maximizing monopolist produce?
A. 1
B. 2
C. 3
D. 4

19. The MR = MC rule:
A. applies only to pure competition.
B. applies only to pure monopoly.
C. does not apply to pure monopoly because price exceeds marginal revenue.
D. applies both to pure monopoly and pure competition.

20. Refer to the above two diagrams for individual firms. Figure 2 pertains to:
A. a market characterized by government regulation of price and output.
B. either an imperfectly competitive or a purely competitive seller.
C. a purely competitive seller.
D. an imperfectly competitive seller.

21. If a regulatory commission imposes upon a nondiscriminating natural monopoly a price that is equal to marginal cost and below average total cost at the resulting output, then:
A. the firm will realize an economic profit.
B. the firm will earn only a normal profit.
C. allocative efficiency will be worsened.
D. the firm must be subsidized or it will go bankrupt.
22. Refer to the above diagram for a pure monopolist. Monopoly price will be:
A. $e$
B. $c$
C. $b$
D. $a$

23. Refer to the above diagram. Demand is relatively inelastic:
A. at price $P_3$.
B. at any price below $P_2$.
C. in the $P_2P_3$ price range.
D. in the $P_3P_4$ price range.
24. (Last Word) Over a recently ended 66-year period, DeBeers:
A. earned only a normal profit because of its high mining and marketing costs.
B. operated substantially in accord with the predictions of the unregulated monopoly model.
C. was subject to U.S. antimonopoly laws and therefore could not control diamond prices.
D. was regulated by the South African government and thus had to limit prices to average total cost.

25. Patents:
A. give firms the exclusive right to produce or control a product for 100 years.
B. discourage research and innovation.
C. are a source of monopoly.
D. are also called trademarks.

26. For a nondiscriminating imperfectly competitive firm:
A. the marginal revenue curve lies above the demand curve.
B. the demand and marginal revenue curves coincide.
C. the demand curve intersects the horizontal axis where total revenue is at a maximum.
D. marginal revenue will become zero at that output where total revenue is at a maximum.

27. Assume the above figure applies to a pure monopolist. If this firm is able to price discriminate between children and adults, its economic profit will be:
A. \((P_2 \times MC) \times (Q_{1c}+Q_2)\)
B. \((P_1 \times MC) \times (Q_{1c}+Q_2)\)
C. \((P_2-P_1) \times (Q_{1c}+Q_2)\)
D. \([P_1 \times MC \times Q_{1c}] + [P_2 \times MC \times Q_2]\)
28. In the short run, a monopolist's economic profits:
A. are always positive because the monopolist is a price-maker.
B. are usually negative because of government price regulation.
C. are always zero because consumers prefer to buy from competitive sellers.
D. may be positive or negative depending on market demand and cost.

29. A single-price monopoly is economically undesirable because, at the profit maximizing output:
A. marginal revenue exceeds product price at all profitable levels of production.
B. monopolists always price their products on the basis of the ability of consumers to pay rather than on costs of production.
C. MC > P.
D. society values additional units of the monopolized product more highly than it does the alternative products those resources could otherwise produce.

30. Refer to the above diagrams. The demand for Firm A's product is:
A. perfectly elastic over all ranges of output.
B. perfectly inelastic over all ranges of output.
C. elastic for prices above $1 and inelastic for prices below $1.
D. inelastic for prices above $1 and inelastic for prices below $1.

Pre-Test Chapter 22 ed17 Key
7. C 17. B 27. D