

1. Monopoly is inefficient because it

- (A) does not produce at minimum average costs.
- (B) does not spend enough money on innovations.
- (C) has positive profit.
- (D) produces a quantity that is too low.

2. Which of the following four factors IS NOT a possible cause of a monopoly?

- (A) patents
- (B) large minimum efficient scale (MES)
- (C) exclusive ownership of an essential input
- (D) differentiated product

3. Monopoly markup above marginal costs

- (A) depends only on elasticity of demand. The lower the elasticity, the higher is the markup.
- (B) depends only on elasticity of demand. The higher the elasticity, the higher is the markup.
- (C) depends on other factors besides elasticity of demand.

4. If a monopoly faces a linear demand function, it will always set its price as a constant markup to its marginal costs (e.g. always $p/MC = 2$ for different MC curves).

- (A) True
- (B) False

5. A monopoly produces a quantity at which the price elasticity of demand is -0,7 and marginal cost equals \$2. If you wanted to increase the monopoly's profit, you need to

- (A) produce more.
- (B) produce less
- (C) produce a quantity at which price equals to marginal costs.
- (D) invest more in adds.

6. If a monopoly has a downward sloping average cost curve, the regulated price set at the level of MC will lead to a loss.

- (A) True
- (B) False

7. If a monopoly sells its products at different prices for different consumers, then it practices

- A the first-degree price discrimination.
- B the second-degree price discrimination.
- C the third-degree price discrimination.

8. In contrast to the third-degree price discrimination, monopoly practicing the second-degree price discrimination

- A has market power.
- B has to be able to prevent arbitrage (reselling) by the consumers.
- C maximizes profit.
- D knows that consumers differ in their willingness to pay, but cannot tell which consumer is which.

9. If a monopoly uses the first-degree price discrimination, the net consumers' surplus equals to

- A the producers' surplus.
- B the profit of monopoly.
- C zero.

10. Select the statement that IS NOT true. A monopoly using the third-degree price discrimination divides quantity of product among different markets so that

- A marginal revenues in different markets are equal.
- B average revenues in individual markets equal to marginal revenues of the entire monopoly.
- C it maximizes profit.
- D marginal revenues in individual market equal to marginal costs of the entire monopoly.