Chapter 13. Monopoly - Multiple Choice Questions

Note: You should review the text end-of-chapter problems as well.

1. Monopolies arise for all the following reasons EXCEPT:
   A. patents
   B. copyrights
   C. control of inputs such as oil or rare metals
   D. decreasing returns to scale

2. If the demand curve is given by \( P = 500 - 2P \), then MR will be:
   A. \( P = 500 \)
   B. \( P = 500 - 4P \)
   C. \( P = 500 - 3P \)
   D. \( P = 500 + 2P \)
   E. \( P = 250 - 2P \)

3. If a monopoly has zero marginal cost and wishes to maximize profits:
   A. It will produce less than it would at a positive marginal cost.
   B. It will produce in the elastic range of the demand curve.
   C. It will produce at the point at which the coefficient of elasticity is one.
   D. It will produce in the inelastic range of the demand curve.
   E. It will produce the same amount as a competitive industry.

A monopolist faces the following price / quantity table, to be used in the next 3 questions:
(Note: the demand curve will be: \( P = 40 - 2Q \))

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>8</td>
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<tr>
<td>22</td>
<td>9</td>
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<tr>
<td>20</td>
<td>10</td>
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<tr>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>16</td>
<td>12</td>
</tr>
</tbody>
</table>

4. At a price of 20, total revenue will be:
   A. 192
   B. 198
   C. 200
   D. 220
   E. 250

5. As it moves from producing 10 units to producing 11 units, its marginal revenue will be:
   A. $ 200
   B. $ 198
   C. $ 4
   D. $ 2
   E. negative

6. If it has a marginal cost curve \( MC = 2 \) (constant marginal costs), then it should produce:
   A. 10 units of output
   B. 11 or 12 units of output
   C. 8 or 9 units of output
   D. Less than 8 units of output
   E. More than 12 units of output

7. A monopolist with a marginal cost greater than zero will always:
   A. make a profit after subtracting total costs from revenue
   B. produce more than a competitive industry
   C. have a price higher than the midpoint of the demand curve.
   D. be more efficient than a competitive industry
8. In the above graph, marginal cost is:
   A. Increasing
   B. Constant
   C. Decreasing
   D. Not shown

9. In the above graph, the marginal revenue is shown by:
   A. The solid, downward sloping line.
   B. The dashed, downward sloping line
   C. The solid, flat line.

10. In the above graph, the area C + D represents:
    A. Variable costs of a monopoly
    B. Total consumer surplus with a monopoly.
    C. Monopoly profit
    D. Deadweight loss
    E. Profit of a competitive industry

11. In the above graph, the area A + B represents: [same options as the last question]

12. In the above graph, the area E represents: [same options as the last question]

13. In the above graph, the area F represents: [same options as the last question]