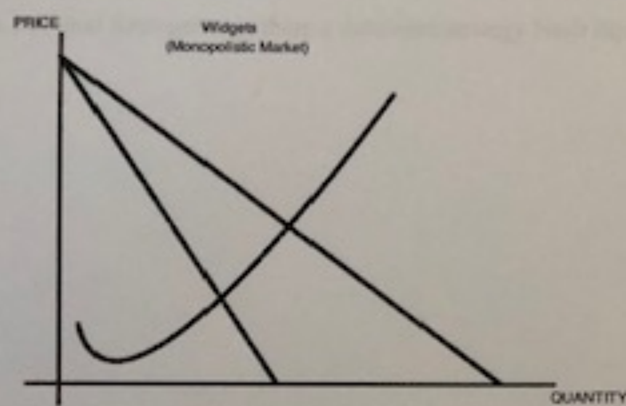
Name__________________ Section_____

RUC – Introductory Micro Economics

Midterm #2

Question #1: Consider the following model for the Monopolistic market for Widget:



A. Label Demand, Marginal Cost, and Marginal Revenue, and show the Price and Quantity.

B. Compare price and quantity to what you would expect from a competitive industry. Show on the graph.

C. What would be necessary for this firm to successfully price discriminate?

D. Why would the dead weight loss from this monopoly be problematic for consumers, yet the dead weight loss seen in a monopolistically competitive industry is considered acceptable?