6. A firm in a perfectly competitive market (a price taker) faces what type of demand curve?
   a. Unit elastic
   b. Perfectly inelastic
   c. Perfectly elastic
   d. None of the above
7. A competitive firm's profit-maximizing price is \$15. At MC = MR, the output is 100 units. At this level of production, average total costs are \$12. The firm's profits are
   a. \$300 in the short run and long run
   b. \$300 in the short run and zero in the long run
   c. \$500 in the short run and long run
   d. \$500 in the short run and zero in the long run
8. What would happen to revenues if a firm in a perfectly competitive industry raised price?
   a. They would increase.
   b. They would increase but profit would decrease.
   c. They would increase along with profit.
   d. They would fall to zero.
9. If a firm in a perfectly competitive industry is experiencing average revenues greater than average costs, in the long run
   a. some firms will leave the industry and price will rise.
   b. some firms will enter the industry and price will rise.
   c. some firms will leave the industry and price will fall.
   d. some firms will enter the industry and price will fall.
10. A sudden decrease in the market demand in a competitive industry leads to
   a. losses in the short run and average profits in the long run.
   b. above-average profits in the short run and average profits in the long run.
   c. new firms being attracted to the industry.
   d. demand creating supply.

Individual Problems

9-1 Faculty Housing Benefits

At a university faculty meeting in 2012, a proposal was made to increase the housing benefits for new faculty to keep pace with the high cost of housing. What will likely be the long-run effect of this proposal? (*Hint*: Think indifference principle.)

9-2 Snacks, Beer, and Marijuana

Snack food venders and beer distributors earn some monopoly profits in their local markets but see them slowly erode from various new substitutes. When California voted on legalizing marijuana, which side would you think that California beer distributors were on? What about snack food venders? Why?

9-3 Entry and Elasticity

Suppose that new entry decreased your demand elasticity from –2 to –3 (made demand more elastic). By how much should you adjust your price of \$10?

9-4 Competitive Industries

Relative to managers in more monopolistic industries, are managers in more competitive industries more likely to spend their time on reducing costs or on pricing strategies?

9-5 Economic Profit

Describe the difference in economic profit between a competitive firm and a monopolist in both the short and long run. Which should take longer to reach the long-run equilibrium?

9-6 Economics Versus Business

Describe an important difference in the way an economist and a businessperson might view a monopoly.