EXAM #3

EXAM #3 PAGE ONE

EXAM # 3 ECO ~~407~~ 301 Your Name________________________________

Pictured on the bottom of this page are diagrams showing the cost and demand curves for two firms. Questions (1) through (9) refer to these diagrams:

(1) Which firm IS an illegal monopoly ?_____

(2) This illegal monopoly can maximize its profits by selling Q=_________ at P = $________

(3) At the price you answered for question (2), this same firm will earn profits = $_________

(4) The maximum technical efficiency output level for this monopoly is: Q = _________

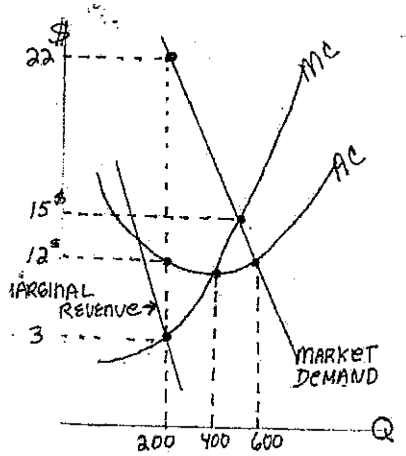
(5) The OTHER firm below, (the one that is NOT a monopoly), can maximize its profits by selling Q = _______ at P = $ ______

(6) This firm in question (5) can earn profits = $__________ if they sell the quantity and charge the price you answered for question (5).

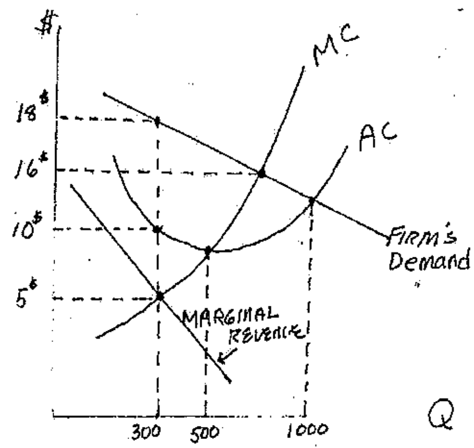
(7) The maximum technical efficiency output level for the firm in questions (5) and (6) is equal to: Q = _______

(8) Which of these two firms is likely to be a small, neighborhood retail store ? ________

(9) Which of these two firms is likely to be charging Price = Average Cost in the long run ? _________



FiRM (A)



FIRM (B)

This is your exam #3. You must write the NUMBER of each question and your answer next to it. this is page one of the exam. Be sure you answer the questions on the next file; page 2. Email it to me at

judith.fields@lehman.cuny.edu by 12/10 at 11:59 PM. Be sure to include your name on the answer sheet.

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For (10) through (18), select the right answer and put it's letter in the blank on the right:

(10) In this industry, firms often have "sticky" prices: (A) oligopoly (B) monopoly (C) perfect competition (D) cartel ...._____

(11) In this industry, firms do a lot of advertising: (A) oligopoly (B) monopoly (C) perfect competition (D) cartel ...._____

(12) In this industry, sellers have an open, explicit agreement to cooperate: (A) oligopoly (B) monopoly (C) perfect competition (D) cartel ...._____

(13) In this industry, firms often end up producing highly similar products, aimed at the middle of the market: (A) oligopoly (B) monopolistic competition (C) perfect competition (D) cartel ...._____

(14) In this industry, firms end up producing with excess capacity in the long run: (A) oligopoly (B) monopoly (C) cartel (D) monopolistic competition.._____

(15) This type of firm can produce the entire market output all by itself, more cheaply Than it it had to share the market with a competing firm: (A) oligopoly (B) monopolistic competition (C) natural monopoly (D) cartel........_____

(16) In this type of industry, there and many small buyers and sellers, but the product is NOT homogeneous: (A) oligopoly (B) monopoly (C) monopolistic competition (D) cartel ...._____

(17) In this type of industry, the sellers agree to impose quotas on the amount of Output each one is allowed to supply to the market: (A) oligopoly (B) monopoly (C) monopolistic competition (D) cartel ...._____

(18) In this type of industry there are NO barriers to entry or exit: (A) oligopoly (B) monopoly (C) monopolistic competition (D) cartel ...._____

For Questions (19) through (25) write "T" (for TRUE) or "F" (for FALSE) in the blank On the right of each statement:

19) PRICE FIXING is NOT illegal in the United States,................................_______

20) A cartel is NOT likely to form in an industry with many, small sellers............_______

21) Regulated, natural monopolies tend to be very inefficient............................_______

22) It will be bad for a cartel if long run market demand is INELASTIC................_______

23) A monopoly can control both the price and the quantity he sells.................._______

24) Under "PRICE LEADERSHIP" firms have an explicit agreement to cooperate.._______

25) The firm's demand curve is a bit less elastic under Monopolistic Competition than it is for a monopoly........._______