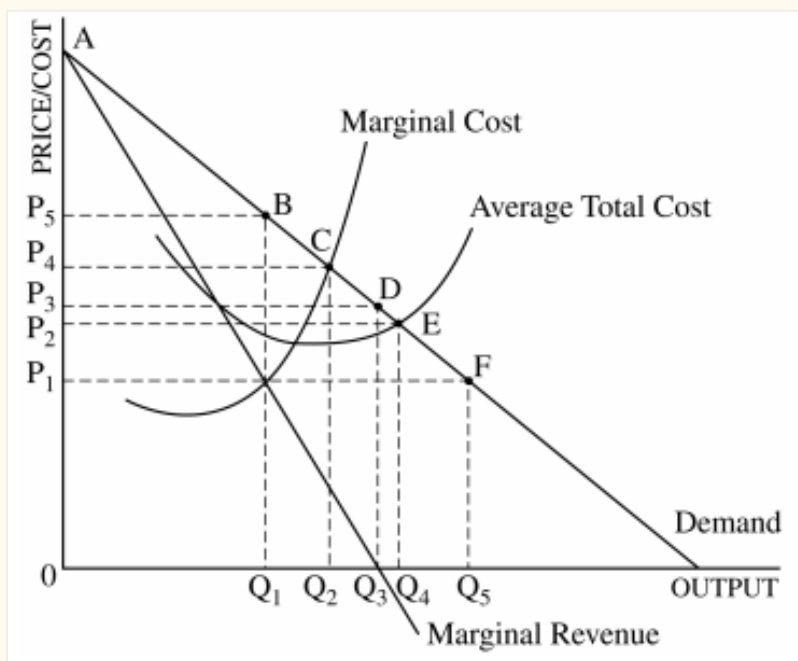


Ridiculous Monopoly Review Question



1. Explain the relationship between Demand & MR
2. Can the monopolist make Positive economic profits in the LR? Explain
3. Label the area of DWL and explain what it represents.
4. Suppose this monopoly industry becomes perfectly competitive without changing the demand or cost curves. Identify the equilibrium price and quantity that would prevail in the perfectly competitive market.
5. What is the line segment of the demand curve that is elastic? Explain how we know it is elastic.
6. What point on the demand curve is unit elastic? Explain how we find the Unit elastic section of the demand curve.
7. Why does the monopolist not want to produce in the inelastic section of its demand curve? Explain.
8. If the monopolist is producing in the inelastic section of its demand curve what must the government do to keep the monopolist operating if it isn't breaking-even?
9. Would the government use a per unit subsidy or lump sum subsidy to cause the monopolist to reduce its DWL. Explain.

10. Label the CS when the monopolist is producing at the Profit maximizing point. If the monopolist produces one more unit of the good does CS increase, decrease or stay the same? Explain.
11. If the firm wants to maximize profits what price and quantity would it choose? Explain.
12. If the firm wants to maximize its revenue what price and quantity would it choose? Explain.
13. If the firm wants to produce the allocatively efficient quantity what price and quantity would it produce? Explain.
14. If the firm wants to just cover its implicit costs what price and quantity would it find itself? Hint: this is the Break-Even, Zero Economic Profit (Normal Profit) point.
15. What is the area of profits or losses achieved by the monopoly?
16. If the monopolist is producing at Q5 and it raises its price will its total revenue increase, decrease or remain unchanged? Explain.
17. If demand for the product increases what happens to the profit maximizing output and total costs? Explain.
18. Where would the monopolist maximize the sum of its consumer and producer surplus? Explain.
19. If the Monopolist is forced to produce at Q4 would its accounting profits be positive, negative or zero? Explain.
20. If the government imposes a lump sum tax what happens to the output, market price and profits? Explain.
21. If the government imposes a per unit subsidy what happens to the output, market price and profits? Explain.
22. If the monopolist could perfectly price discriminate what would be its output? Explain.
23. If the monopolist could perfectly price discriminate, label the area of consumer surplus and DWL.
24. If the monopolist could perfectly price discriminate, label the area of profits.
25. If the monopolist could perfectly price discriminate label the area of total revenue.
26. What must be true for the monopolist to continue operating in the short run if it's making losses? Explain.
27. If the monopolist is making losses why would it choose to continue to operate? Explain.
28. If the demand for the monopolist's good decreases what happens to the price and quantity produced? Explain.