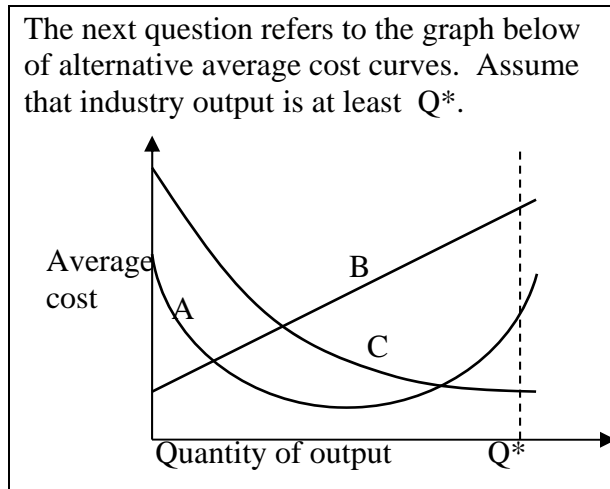


QUIZ 4 VERSION B "Introduction to Antitrust"

INSTRUCTIONS: This exam is closed-book, closed-notes. Simple calculators are permitted, but graphing calculators or calculators with alphabetical keyboards are NOT permitted. Mobile phones or other wireless devices are NOT permitted. Points will be subtracted for illegible writing or incorrect rounding.

Multiple choice: Circle the one best answer to each question. [10 pts each]

The next question refers to the graph below of alternative average cost curves. Assume that industry output is at least Q^* .



- (1) Which average cost curve above is typical of a firm that enjoys a natural monopoly?
- Average cost curve A.
 - Average cost curve B.
 - Average cost curve C.
 - None of the above.
 - Cannot be determined from information given.

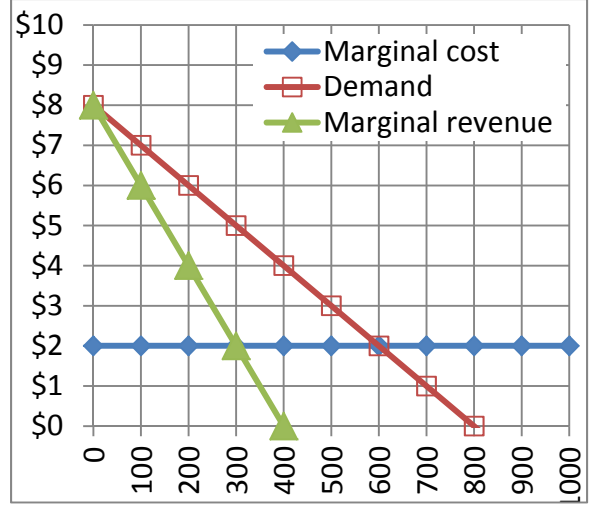
(2) Suppose a flower vendor with market power is now selling 10 bouquets per hour at a price of \$10. If he cuts the price to \$9.50, he can sell one more bouquet per hour (that is, a total of 11 bouquets per hour). The vendor's marginal revenue for the eleventh bouquet is therefore

- \$0.50 .
- \$4.50 .
- \$6.00 .
- \$9.50 .
- \$10.00 .

(3) If marginal cost is less than marginal revenue at the current level of output, the firm can increase its profit by

- increasing output.
- decreasing output.
- either increasing or decreasing output.
- none of the above.
- Cannot be determined from information given.

The next questions refer to the graph of a monopolist below.



- (4) To maximize profit, this monopolist will set a price of
- a. \$1.
 - b. \$2.
 - c. \$3.
 - d. \$4.
 - e. \$5.
 - f. \$6.
 - g. \$7.
 - h. \$8.

- (5) Monopoly causes economic inefficiency because
- a. monopoly prices are unfair.
 - b. it is unfair for one firm to control the market.
 - c. monopolists are usually wealthier than their customers.
 - d. some consumers, willing to pay the marginal cost of the product, are not served.
 - e. monopolists enjoy profits, called monopoly rents, even in the long run.

- (6) In the "Structure-Conduct-Performance" paradigm, "Performance" does not include
- a. deadweight loss.
 - b. concentration.
 - c. technical efficiency.
 - d. technical progress.

- (7) The "Structure-Conduct-Performance" paradigm is simplistic because it assumes that
- a. structure does not depend on conduct.
 - b. conduct does not depend on structure.
 - c. performance does not depend on structure.
 - d. performance does not depend on conduct.

- (8) In the United States, "monopolization" is illegal under the
- a. Sherman Act Section 1.
 - b. Sherman Act Section 2.
 - c. Clayton Act.
 - d. Federal Trade Commission Act.

- (9) An action by firms that is judged under the "rule of reason" is
- a. always illegal regardless of circumstances.
 - b. may be illegal if it appears to lessen competition.
 - c. may be illegal if it increases the firm's profit.
 - d. may be illegal if it decreases other firms' profits.

- (10) U.S. antitrust laws are enforced through
- a. prosecution in federal court by the Department of Justice.
 - b. lawsuits brought by private parties claiming damages.
 - c. orders of the Federal Trade Commission.
 - d. All of the above.

[end of quiz]