

QUIZ 9 VERSION A

"Antitrust Policy on Monopolization and Price Discrimination"

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]

(1) To be convicted of violating the Sherman Act Section 2, firms must possess monopoly power and

- have higher cost than any potential rival.
- enjoy above-normal profit.
- have lower cost than any potential rival.
- show intent to monopolize a market.

(2) The Supreme Court stated that "the law does not make mere size an offense" in its decision in

- Utah Pie v. Continental Baking (1967).
- Berkey Photo v. Kodak (1979).
- Standard Oil v. U.S (1911).
- U.S. v. U.S. Steel (1920).
- U.S. v. Alcoa (1945).
- U.S. v. United Shoe Machinery (1953).

(3) One remedy for monopolization is to break up the firm, as was done in the case of

- Utah Pie v. Continental Baking (1967).
- Berkey Photo v. Kodak (1979).
- Standard Oil v. U.S (1911).
- U.S. v. U.S. Steel (1920).
- U.S. v. Alcoa (1945).
- U.S. v. United Shoe Machinery (1953).

(4) Predatory pricing can be profitable only if predation is followed by a period of

- accommodation.
- losses.
- competition.
- recoupment.
- price discrimination.

(5) According to the Areeda-Turner (1975) rule, a firm should be presumed to be engaging in predatory pricing if its price is less than its

- marginal cost
- average variable cost.
- average fixed cost.
- average total cost.

(6) The Supreme Court case of *U.S. v. Terminal Railroad Association* (1912), involving competing railroads' access to bridges into St. Louis, was important in establishing

- the "power and intent" doctrine for monopolization.
- the definition of predatory pricing.
- the "essential facilities" doctrine.
- the illegality of price discrimination.
- all of the above.

(7) Under first-degree price discrimination (also called "perfect price discrimination") the total quantity produced is

- a. zero.
- b. the same as under competition.
- c. the same as under single-price monopoly.
- d. the same as under Cournot duopoly.

(8) Compared to single-price monopoly, market-segmenting price discrimination

- a. may increase or decrease social welfare.
- b. has the same effect on social welfare.
- c. always increases social welfare.
- d. always decreases social welfare.

(9) Suppose demand for a particular software product is *more elastic* among teachers than among business persons. The software maker wants to maximize profit. If the software maker can set different prices for each market segment, then

- a. teachers should get the lower price.
- b. business persons should get the lower price.
- c. both segments should get the same price, because the marginal cost is the same.
- d. cannot be determined from information given.

(10) The Supreme Court often makes the mistake of "protecting competitors instead of protecting competition," according to Justice Potter Stewart's dissenting view in the case of

- a. *Utah Pie v. Continental Baking* (1967).
- b. *Berkey Photo v. Kodak* (1979).
- c. *Standard Oil v. U.S* (1911).
- d. *U.S. v. U.S. Steel* (1920).
- e. *U.S. v. Alcoa* (1945).
- f. *U.S. v. United Shoe Machinery* (1953).

[end of quiz]