1. Which of the following is true regarding profit maximization by a pure monopolist?
   a. Monopolists maximize profits at the quantity where marginal revenue is equal to marginal costs.
   b. Monopolists maximize profits at the quantity where price is equal to marginal costs.
   c. Monopolists maximize profits at minimum average total costs.
   d. Monopolists maximize profits by setting price where demand is the most inelastic.

2. Which of the following comparisons between monopoly and a perfectly competitive (PC) market is correct?
   a. The monopolist will sell fewer units than a PC market, charge a higher unit price and earn larger profits.
   b. The monopolist will sell more units than a PC market, charge a lower unit price and earn larger profits.
   c. The monopolist will sell more units than a PC market, charge a higher unit price and earn larger profits.
   d. The monopolist will sell fewer units than a PC market, charge a lower unit price and earn smaller profits.
   e. The monopolist will sell fewer units than a PC market, charge a higher unit price and earn the same profits.

3. Which of the following are barriers to entry that may lead to monopoly power?
   a. Patents
   b. Government licenses
   c. Large scale cost advantages
   d. Technological superiority
   e. Ownership of resource supply
   f. all of the above
   g. a, b, and e only

4. Which of the following cases is the best example of a "natural monopoly"?
   a. DeBeers consolidated mines of South Africa
   b. Carolina Power and Light Company (suppliers of electric power in much of North Carolina)
   c. Alcoholic Beverage Control (ABC stores) in North Carolina
   d. Polaroid Corporation (producers of instant film developing products)

5. In a monopoly, the market demand curve is
   a. the same as the demand curve facing the firm.
   b. the summation of all the individual firm's demand curves.
   c. nonexistent.
   d. the marginal cost curve above minimum average variable cost.

6. For a monopolist to sell more units of output,
   a. the price of the output must be increased.
   b. the price of the output must be reduced.
   c. demand must become more elastic.
   d. the other competing firms must sell fewer units.
Questions 7 and 8 pertain to the following illustration:

7. Assuming the firm represented in the above illustration is monopolist, its profit maximizing price will be:
   a. greater than $100
   b. $100
   c. between $85 and $100
   d. $85
   e. $60
   f. $40
   g. less than $40
   h. cannot be determined from the graph

8. Assuming the firm represented in the above illustration is monopolist, its profit maximizing quantity will be:
   a. more than 800 units
   b. between 600 and 800 units
   c. 600 units
   d. 500 units
   e. less than 500 units
   f. cannot be determined from the graph

9. Which of the following is true regarding marginal revenue for a monopolist?
   a. The marginal revenue curve is the same as the demand curve.
   b. The marginal revenue curve is always above the demand curve.
   c. Marginal revenue is lower than price for all units other than the first.
   d. Marginal revenue is less than price at low levels of output and greater than price at high levels of output.

10. A monopolist will not produce
    a. if marginal revenue is declining.
    b. if price is less than average total cost but greater than average variable cost.
    c. in the inelastic portion of its demand curve.
    d. if price is greater than average total cost.
11. Through the issue of a patent, Carol’s super road bike company™ has a monopoly over the production of a specialized lightweight wheel for bicycles. Carol’s company will find it profitable to increase output of the wheel as long as marginal revenue
   a. is greater than marginal cost.
   b. equals marginal cost.
   c. is less than marginal cost.
   d. is positive.

12. Duquense Light, an unregulated monopolist, determines the price it will charge by
   a. finding the point on the marginal revenue curve that corresponds to the profit-maximizing level of output.
   b. finding the point on the marginal cost curve that corresponds to the profit-maximizing level of output.
   c. finding the point on the demand curve that corresponds to the profit-maximizing level of output.
   d. finding the point on the average total cost curve that corresponds to the profit-maximizing level of output.

True/False

13. _____ A pure monopolist can earn positive economic profits in the short-run, but not in the long-run.

14. _____ Monopoly markets are always more efficient than any other market type.

15. _____ For a monopolist, price is always greater than marginal revenue.

16. _____ A profit-maximizing monopolist always operates in the elastic portion of its demand curve.

17. _____ Because the marginal revenue curve for a monopolist lies below its demand curve, the profit maximizing price of the monopolist will be above marginal cost.

18. _____ Since the monopolist is the sole producer of a good, it can never incur a loss.

Long answer/Essay

19. Explain the different types of barriers to entry that allow monopolists to maintain their market power. Give an example of each.

20. Compare the long-run outcomes in perfectly competitive markets and monopolistic markets with regard to (a) price (b) market quantity supplied (c) profitability (d) efficiency.

21. Given that monopoly power allows firms to profit at the expense of consumers and creates market inefficiencies, why does the government grant monopoly power to firms in the case of (a) local utility companies and (b) patents?