Taylor Economics Chapter 10

1. What is the biggest difference between monopolies and firms producing in competitive markets?
2. Define monopoly.
3. How do barriers to entry help facilitate monopoly-type markets?
4. Just like competitive firms, what do monopolies seek to do?
5. Explain what it means to have market power.
6. Compare and contrast price maker and price taker while identifying the type of firm associated with each firm.
7. Why are monopolies able to set prices while individual competitive firms can't?
8. How is it that a monopoly faces a downward sloping demand curve while the competitive firm faces a horizontal demand curve?
9. Using Figure 10.2, what quantity should the firm supply if it wants to maximize revenue?
10. Using Table 10.1, what quantity should the firm supply if it wants to maximize profits?
11. What must a firm do to sell more items (assuming costs stay the same)?
12. What happens to profits as the effect in #11 takes place?
13. Describe the effect the change in price and quantity has upon TR?
14. Explain the concept of MR.
15. In Table 10.1, what is the marginal revenue of producing a 3rd item?
16. Why is MR<P true?
17. Explain (not identify) the two effects on total revenue for a monopolist when it raises production by one unit.
18. When will MR be negative?
19. How is average revenue calculated?
20. How are profits calculated?
21. How does MR=MC tell us the profit maximizing quantity?
22. Using Table 10.1, explain why a monopoly would produce 3 items.
23. Using Table 10.1, explain why a monopoly would produce 4 items.
24. Using Table 10.1, explain why a monopoly would produce 5 items.
25. Using Table 10.1, explain why a monopoly would produce 6 items.
26. Using Table 10.1, explain why a monopoly would not produce 7 items.
27. Draw a curve showing MR and MC along with a corresponding demand curve.
28. Why is it that both competitive firms and monopolies follow MR=MC?
29. Recreate the generic diagram for a monopoly. Be sure to label all curves.
30. Add to your figure the profit maximizing quantity for a competitive firm.
31. If we know the monopolist will produce quantity where MR=MC, how is P determined?
32. If ATC intersects the demand line at the quantity produced point, what profits are there?
33. If ATC is below D at the quantity produced point, what kind of profits is the firm getting?
34. Explain how Figure 10.7 shows the firm is getting negative profits.
35. As it relates to quantity produced how do monopolists and competitive firms compare?
36. How does this relate to deadweight loss?
37. What effect do monopolies have on producer and consumer surplus?
38. Draw a monopolist model using quantifiable numbers and show below how you can calculate deadweight loss.
39. How do consumers decide how much to consume?
40. How does the concept of minimum efficient scale show that some monopolies are natural?
41. Why do governments regulate natural monopolies?
42. What is a patent and how long are they good for?
43. Define contestable market.
44. Explain how price discrimination works by an example not in the book.
45. Explain how the two curves in Figure 10.9 demonstrate the workings of price discrimination.
46. How does the idea that Vons changes $2.99 each for Froot Loops, but $2.49 each if you buy 4 or more boxes, show price discrimination?
47. Do problem #1 on page 282.
48. Do problem #3 on page 282.
49. Do problem #4 on page 282.
50. Do problem #6 on page 282.
51. Do problem #7 on page 282.