|  |  |  |
| --- | --- | --- |
| Question 1 text  Question 1  |  |    |
|   | Barriers to entry in oligopolies may arise from |  |  |  |  |
| Question 1 answers

|  |  |  |
| --- | --- | --- |
|  |  | diseconomies of scale. |
|  |  | diminishing returns. |
|  |  | economies of scale. |
|  |  | patent expirations. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 2 text  Question 2  |     |  |
|   | When participants in a game take actions that are consistent with Nash equilibrium, |  |  |  |  |
| Question 2 answers

|  |  |  |
| --- | --- | --- |
|  |  | no single participant has an incentive to change its action. |
|  |  | each participant has chosen the best action possible, given what the others have chosen. |
|  |  | no other set of actions could make ALL participants better off. |
|  |  | both a and b. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 3 text  Question 3  |  |    |
|   | If significant economies of scale exist in an industry, then |  |  |  |  |
| Question 3 answers

|  |  |  |
| --- | --- | --- |
|  |  | a firm that is large is able to produce at a lower unit cost than can a small firm. |
|  |  | a firm that is large will have to charge a higher price than will a small firm. |
|  |  | entry to that industry will be easy. |
|  |  | firms must differentiate their products to earn economic profits. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 4 text  Question 4  |  |    |
|   | Which of the following statements is true about oligopolies? |  |  |  |  |
| Question 4 answers

|  |  |  |
| --- | --- | --- |
|  |  | A firm must lower price in order to sell more output. |
|  |  | Each firm faces a demand curve that depends on how the firm’s rivals behave. |
|  |  | A few firms account for a large portion of industry sales. |
|  |  | All of the above |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 5 text  Question 5  |  |    |
|   | Factors that affect the ability of oligopolistic firms to successfully engage in cooperation include |  |  |  |  |
| Question 5 answers

|  |  |  |
| --- | --- | --- |
|  |  | number and size distribution of sellers. |
|  |  | size and frequency of orders. |
|  |  | extent of product heterogeneity. |
|  |  | all of the above. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 6 text  Question 6  |     |    |
|   | In game theory, a dominant strategy is defined as |  |  |  |  |
| Question 6 answers

|  |  |  |
| --- | --- | --- |
|  |  | a strategy used by a large firm to compete against smaller firms. |
|  |  | a strategy followed by the price leader. |
|  |  | a strategy involving a high risk but also a high return. |
|  |  | a strategy that leads to the best outcome no matter what a rival does. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 7 text  Question 7  |    |    |
|   | The kinked demand curve model was developed to help explain |  |  |  |  |
| Question 7 answers

|  |  |  |
| --- | --- | --- |
|  |  | fluctuations of prices in pure competition. |
|  |  | rigidities observed in prices in oligopolistic industries. |
|  |  | fluctuations observed in prices in oligopolistic industries. |
|  |  | none of the above. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 8 text  Question 8  |  |    |
|   | Mutual interdependence, a characteristic of oligopoly, arises because |  |  |  |  |
| Question 8 answers

|  |  |  |
| --- | --- | --- |
|  |  | the products of firms in the industry are homogeneous. |
|  |  | the products of firms in the industry are differentiated. |
|  |  | a small number of firms control a large proportion of industry output or sales. |
|  |  | the demand curves of firms in the industry are kinked at the prevailing price. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 9 text  Question 9  |  |    |
|   | A(n) \_\_\_\_ is characterized by a relatively small number of firms controlling most of the sales or production in an industry. |  |  |  |  |
| Question 9 answers

|  |  |  |
| --- | --- | --- |
|  |  | monopoly |
|  |  | syndicate |
|  |  | cooperative |
|  |  | oligopoly |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 10 text  Question 10  |  |    |
|   | In markets characterized by oligopoly |  |  |  |  |
| Question 10 answers

|  |  |  |
| --- | --- | --- |
|  |  | expectations on how rivals will respond are important considerations when a firm decides to change the price it charges its customers |
|  |  | no firm controls more than a 10% share of the market |
|  |  | products or services may be branded or unbranded |
|  |  | both a and c |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 11 text  Question 11  |  |    |
|   | If a cartel seeks to maximize profits, the market share (or quota) for each firm should be set at a level such that the \_\_\_\_ of all firms is identical. |  |  |  |  |
| Question 11 answers

|  |  |  |
| --- | --- | --- |
|  |  | average total cost |
|  |  | average profit |
|  |  | marginal profit |
|  |  | marginal cost |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 12 text  Question 12  |  |    |
|   | Under dominant firm price leadership |  |  |  |  |
| Question 12 answers

|  |  |  |
| --- | --- | --- |
|  |  | the follower firms will set their own prices rather than follow the price it sets. |
|  |  | the dominant firm accounts for the supply curve of follower firms when it determines its profit maximizing price. |
|  |  | the follower firms are restricted in the amount they can supply. |
|  |  | the dominant firm can ignore the presence of follower firms in the market. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 13 text  Question 13  |    |   |
|   | The largest problem faced in cartel pricing agreements, such as OPEC, is |  |  |  |  |
| Question 13 answers

|  |  |  |
| --- | --- | --- |
|  |  | detecting violations of quota barriers by cartel participants. |
|  |  | arriving at a profit-maximizing price. |
|  |  | attracting participants in the cartel. |
|  |  | none of the above. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 14 text  Question 14  |     |   |
|   | The household appliance, automobile, and automobile tire industries are examples of |  |  |  |  |
| Question 14 answers

|  |  |  |
| --- | --- | --- |
|  |  | homogeneous oligopoly. |
|  |  | pure oligopoly. |
|  |  | pure monopoly. |
|  |  | differentiated oligopoly. |

 |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Question 15 text  Question 15  |     |    |
|   | The profits of a firm in an oligopoly are interdependent with those of other firms in the industry because |  |  |  |  |
| Question 15 answers

|  |  |  |
| --- | --- | --- |
|  |  | there are few firms in the market, so the actions of each can affect the demand for the other firms’ profits. |
|  |  | the product is differentiated. |
|  |  | industry sales are large. |
|  |  | all of the above. |

 |  |  |  |  |