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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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 | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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 | |  |  |  |  |

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| 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 | |  |  |  |  |

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| 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 | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |

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| 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. | |  |  |  |  |