Consider a monopoly where the inverse demand for its product is given by P = 50 – 2Q. Total costs for this monopolist are estimated to be C(Q) = 100 + 2Q + Q2. At the profit maximizing combination of output and price, deadweight loss is

1. $32
2. $64
3. $128
4. Cannot be determined with the given information

Which of the following formulas correctly measures the profit of a monopoly?

1. π = TR – TC
2. π = (P – ATC)Q
3. π = (P – AVC)Q
4. π = TR – TC and π = (P-ATC)Q

Which of the following are not price setting oligopoly models?

1. Stackelberg
2. Cournot
3. Bertrand
4. Stackelberg and Cournot

In a market where two firms compete by setting quantity, the Cournot equilibrium has which of the following characteristics?

1. The two firms reaction functions intersect
2. There is no incentive for the two firms to collude
3. The two firms isoprofit curves intersect one another at the highest point
4. The two firms reaction functions intersect at the highest point where the two firms isoprofit curves intersect one another

The market demand in the Bertrand duopoly is P = 10 – 3Q, and the marginal costs are $1. Fixed costs are zero for both firms. Based on this information we can conclude that

1. P = $7 and firm 1 will sell 7 units of output
2. P = $1 and firm 1 and 2 will each sell 7 units of output
3. P = $1 and firm 1 and 2 will each sell 3.5 units of output
4. P = $1.5 and firm 1 and 2 will each sell 10 units of output

If you advertise and your rival advertises, you each will earn $5 million in profits. If neither of you advertise, you will each earn $10 million in profits. However, if one of you advertises and the other does not, the firm that advertises will earn $15 million and the non advertising firm will earn $1 million. Suppose this game is repeated for a finite number of times, but the players do not know the exact date at which the game will end. The players can earn collusive profits as a Nash equilibrium to the repeated play of the game if the probability the game terminates in any period is

A. 1.

 B. greater than one.

 C. close to zero.

 D. none of the statements associated with this question are correct.

A monopoly produces widgets at a marginal cost of $10 per unit and zero fixed costs. It faces an inverse demand function given by P = 50 - Q. The monopoly price is:

 A. $30.

 B. $20.

C. $10.

D. $40.

A local video store estimates their average customer's demand per year is Q = 7 - 2P, and knows the marginal cost of each rental is $0.5. How much should the store charge for an annual membership in order to extract the entire consumer surplus via an optimal two-part pricing strategy?

 A. $9.

 B. $10.

C. $11.

 D. $12.

The purpose of randomized pricing is to reduce:

A. consumer price information only.

B. competitor price information only.

 C. both customer and competitor information about price.

 D. the firm's pricing inflexibility.

Suppose two types of consumers buy suits. Consumers of type A will pay $100 for a coat, and $50 for pants. Consumers of type B will pay $75 for a coat, and $75 for pants. The firm selling suits faces no competition and has a marginal cost of zero. If the firm charges $100 for a suit (which includes both pants and a coat), the firm will sell a suit to:

A. type A consumers.

 B. type B consumers.

 C. type A consumers and type B consumers.

D. none of the statements associated with this question are correct.

Suppose a manager is interested in implementing third-degree price discrimination. The manager knows that the price elasticity of demand for Group 1 is -2 and the price elasticity of demand for Group 2 is -1.2. Based on this information alone we can conclude that the price charged to Group 2 will be

 A. the same as the price charged to Group 1.

 B. lower than the price charged to Group 1.

C. higher than the price charged to Group 1.

D. there is insufficient information to determine whether Group 2 will have a higher, lower or the same price as Group 1.