

Short Answer Questions

Chapter 15.

1. What is the difference between a firm having a monopoly in production and a firm having monopoly power?
2. Using examples, explain three possible sources of monopoly power.
3. Why can't a monopolist control both price and quantity if they have so much market power?
4. Why does the marginal revenue curve lie below the average revenue curve for a monopolist?
5. Marginal revenue is the addition to total revenue as a result of the sale of one extra unit of output. Given this definition, explain how marginal revenue can be negative.
6. Why is a monopolist able to maintain abnormal profits in the long run?
7. Explain why a monopolist does not have a supply curve.
8. Monopolists are often viewed in a negative way, however, there are benefits to consumers of firms having monopoly power. Explain what these benefits might be. Use examples to illustrate your answer.
9. Why is a monopoly inefficient?
10. Under what circumstances can a monopolist practice price discrimination? Illustrate your answer with appropriate examples.