1) According to the article discussed in class, as the wholesale price of gasoline fell over the past several weeks, the retail price of gasoline
   A) none of the above
   B) fell even more than the wholesale price causing net profit margins at gas stations to fall.
   C) fell less than the wholesale price causing net profit margins at gas stations to rise
   D) did not change causing net profit margins at gas stations to rise

2) Suppose that an orange grower is in a competitive industry and its only variable input is labor. If the wages of orange pickers double, we should expect that in the short run:
   A) none of the above.
   B) the price of oranges will rise enough to offset the increased labor costs and leave orange growers profits unchanged.
   C) the price of oranges will rise, but not enough to offset the increased labor costs and orange growers profits will fall.
   D) the price of oranges will not change at all and orange growers profits will fall.

3) Suppose that the federal government raises the tax on gasoline by $.50 per gallon. If the gasoline industry is competitive and there are no external economies or diseconomies, we should expect that in the LONG RUN
   A) the consumer’s share of the tax will be $0 and the producer’s share will be $.50
   B) the consumer’s share of the tax will be $.50 and the producer’s share will be $0
   C) the consumer and producer will both pay a non-zero part of the tax, and the sum of their shares will be $.50
   D) the consumer and producer will both pay part of the tax, and the sum of their shares will be less than $.50

4) Based upon our discussion in class, sugar prices in the U.S. are higher than in the rest of the world because:
   A) sugar is taxed heavily in the U.S.
   B) import quotas restrict the import of sugar
   C) environmental regulations make it more costly to grow sugar in the U.S.
   D) the federal government has price supports for sugar

5) As discussed in class, the U.S. government restricts the amount of peanuts grown in the U.S. In order to grow and sell peanuts in the U.S., you must own a peanut quota license. The value of this license would rise if consumer demand for peanuts ______ or the cost of harvesting peanuts ______.
   A) fell; rose  B) fell; fell  C) rose; fell  D) rose; rose

6) Which of the following is true of a natural monopoly?
   A) Economies of scale exist to only a very low level of output.
   B) The firm can supply the entire market at a lower cost than could two or more firms.
   C) its long-run average cost curve slopes upward as it intersects the demand curve.
   D) The firm is not protected by any barrier to entry.

7) The figure above shows a monopoly firm’s demand curve. If the price and quantity of haircuts move from point t to point r, the monopoly’s
   A) total revenue will rise.  B) total revenue will remain the same.
   C) total revenue will fall.  D) marginal revenue will decrease.

8) The figure above shows a monopoly firm’s demand curve. At point t
   A) demand is elastic.  B) demand is unit elastic.
   C) total revenue is at a minimum.  D) demand is inelastic.

9) An unregulated monopoly finds that its marginal cost exceeds its marginal revenue. In order to increase its profit, the firm will
   A) raise its price and decrease its output.
   B) continue to produce this level of output because any change will lower its profit.
   C) raise its price and increase its output.
   D) lower its price and increase its output.
10) For the unregulated, single-price monopoly shown in the figure above, when its profit is maximized, output will be
A) 4 units per year and the price will be $4.  B) 4 units per year and the price will be $6.
C) 6 units per year and the price will be $4.  D) None of the above answers is correct.

11) The unregulated, single-price monopoly shown in the figure above has a total economic profit of

12) Which area(s) in the above figure indicates consumer surplus at the price and quantity that would be attained if the industry were perfectly competitive?
A) A + B + C + D + E  B) F + G + H
C) A + B + C + D + E + F + G + H  D) A + B + C + D

13) Which area(s) in the above figure indicates consumer surplus at the price and quantity that would be set by a single-price monopoly?
A) A + B  B) C + D
C) A + B + C + D + E  D) C + D + E + F + G + H

14) Which area(s) in the above figure indicates producer surplus at the price and quantity that would be attained if the industry were perfectly competitive?
A) A + B + C + D + E  B) F + G + H + I + J + K
C) C + D + E + F + G + H  D) F + G + H

15) In the above figure, which area is the deadweight loss from a single-price monopoly?
A) E  B) E + H  C) E + H + K + J  D) E + H + K

Answers

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