1. A monopolist has constant marginal cost equal to 30 and faces a market demand curve given by the following: Q **=**180 **-** 3p. If the monopolist wants to maximize profit then it will choose to produce a quantity equal to \_\_\_\_ resulting in a deadweight loss equal to \_\_\_\_compared to the competitive market.

Answer = 45; 337.5.

2. Consider the market for paintings Brett Whitely. The supply curve is given by the following: **Qs =**120. The demand curve for Brett Whitely paintings is given by: **Q =** 200 **- p.** In the market equilibrium:

Answer = Consumer surplus is positive and demand is price inelastic.

3. The market demand curve for pay TV is given by: Q = 400 - 4 p. Further, assume that the market supply curve for pay TV is given by: p = 25. Following a recent government investigation into the pay TV industry the government imposes a specific tax of 10 on pay TV that must be paid by buyers. In the post tax equilibrium, the revenue raised is\_\_\_\_\_\_\_\_\_\_\_ and the deadweight loss is \_\_\_\_\_\_\_\_\_.

Answer = $2600; 200.

4. Assume that the manufacturer of bottled water is a monopolist with constant average total cost equal to $5. The demand curve faced by this monopolist is given by the following: Q = 100 - 4P. At the market equilibrium for a single price monopolist the price is equal to\_\_\_\_\_\_ and the deadweight loss is \_\_\_\_\_\_\_\_.

a. 20; 300.

b. 20; 400.

c. 40; 200.

d. 40; 300.

e. none of the above. 🡨Correct answer

5. Suppose individuals A and B have the following demand curves for a public good:

**QA** = 40 - 2**p** and **QB** = 40 - **p**, where Q is the amount of the public good. If the marginal cost of production is constant and equal to 30, the quantity produced in the competitive equilibrium would equal \_\_\_\_ and the efficient outcome is equal to \_\_\_\_\_:

Answer = 10, 20.

6. Assume that the domestic supply curve for cars is given by P = 50 + QS and the

demand for cars is given by P = 200 -QD. Further, assume that cars can be imported and the world price for cars is equal to 100. If the government imposes a quota so that a maximum of 100 cars could be imported, then compared to the free trade situation:

Answer = There would be no deadweight loss.

7. Suppose that a golf club is designing a two-part tariff pricing mechanism in order to increase profits. Suppose there are two types of golfers, mad-golfers and normal-golfers. The mad-golfers have demand P = 200 – 2Q and normal-golfers have demand P = 160 – 2Q,where P is price per round of golf and Q is number of rounds consumed per year. Assume there are equal numbers of each golfer and that the marginal (and average) cost of a round of golf is 20. Denote the annual membership fee as T and the price per round of golf as P. Which of the following pricing structures realises the most profit for the club?

Answer = T = 3600, P =40

8. The supply curve for Matador BBQs is given by the following: Qs = 2p-6000. Further the demand curve for Matador BBQs is given by Qd = 20000 – 2p. Let nd be the own price elasticity of demand and ns the own price elasticity of supply. In the market equilibrium for the Matador BBQs is:

Answer = n d is elastic and n s is elastic