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Chapter 24 monopoly ap econ quizlet test

AP Micro: Monopoly Assessment by Jason Lee is for 11th-12th graders with 176 plays, classified as Medium difficulty. The key points of the assessment are: A monopolist operating in the inelastic demand curve portion should adjust prices and quantities to maximize profits. Government regulators aiming to minimize deadweight loss without subsidizing the monopolist would set a price at: The optimal output and pricing combination for a single-price monopoly is not explicitly stated, but it can be inferred that the goal is to balance output and price for maximum profit. Perfect price discrimination by a monopolist leads to total output maximization and charging the highest possible price for the last unit sold. A firm with market power uses price discrimination to: increase consumer surplus make its demand more elastic Compared to a perfectly competitive industry, a monopoly's price and quantity will be higher due to reduced competition. For the given graph, the short-run profit-maximizing strategy would involve setting output at Q1, price at P3, and earning an economic profit. An unregulated monopolist's profit-maximizing quantity will always be: in the inelastic region of the demand curve where marginal revenue equals price where price equals average total cost where the marginal cost curve intersects the demand curve To engage in price discrimination, a firm must be able to: produce in the inelastic portion of its demand curve raise its price and increase total revenue separate consumers into different groups based on demand elasticities experience economies of scale in production A monopolist introducing a technological innovation that reduces marginal cost and average cost would likely lead to: a decrease in price and an increase in quantity an increase in price and a decrease in quantity no change in price and quantity due to the innovation's effect being offset by other factors Researching the history of a large franchise like Amazon, Nike, or Apple reveals their market competition. Using graphs, the cost structure of these companies provides evidence of the type of market they operate in. As an example, let's examine Amazon. While it is not a Perfectly Competitive company, it has transitioned away from that market. The graph below illustrates this shift: