Module 12.2 Quiz - Questions

Question 1

The demand for products from monopolistic competitors is relatively elastic due to:

A) high barriers to entry.
B) the availability of many close substitutes.
C) the availability of many complementary goods.

Question 2

Compared to a perfectly competitive industry, in an industry characterized by monopolistic competition:

A) both price and quantity are likely to be lower.
B) price is likely to be higher, and quantity is likely to be lower.
C) quantity is likely to be higher, and price is likely to be lower.

Question 3

A firm will *most likely* maximize profits at the quantity of output for which:

A) price equals marginal cost.
B) price equals marginal revenue.
C) marginal cost equals marginal revenue.

Question 4

An oligopolistic industry has:

A) few barriers to entry.
B) few economies of scale.
C) a great deal of interdependence among firms.

Question 5

Consider a firm in an oligopoly market that believes the demand curve for its product is more elastic above a certain price than below this price. This belief fits *most appropriately* to which of the following models?

A) Cournot model.

B) Dominant firm model.

C) Kinked demand model.

Question 6

Consider an agreement between France and Germany that will restrict wine production so that maximum economic profit can be realized. The possible outcomes of the agreement are presented in the following table.

	Germany complies	**Germany defaults**
France complies	France gets €8 billion Germany gets €8 billion	France gets €2 billion Germany gets €10 billion
France defaults	France gets €10 billion Germany gets €2 billion	France gets €4 billion Germany gets €4 billion

Based on the concept of a Nash equilibrium, the *most likely* strategy followed by the two countries with respect to whether they comply with or default on the agreement will be:

A) both countries will default.

B) both countries will comply.

C) one country will default and the other will comply.