

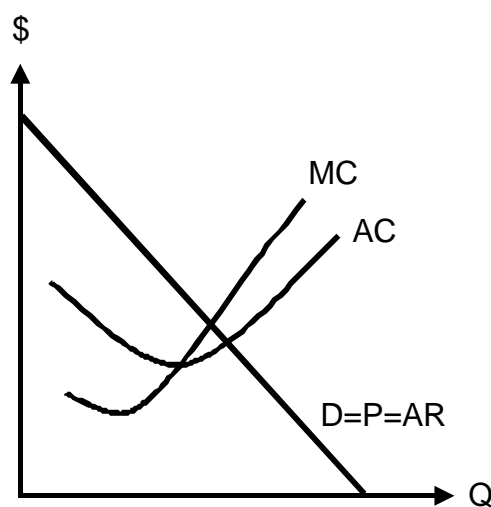
Questions *Microeconomics* (with answers)

6 Monopoly and oligopoly

Abbreviations

AC	Average cost (LR)
AR	Average revenue
coll	colluding
comp	competitive
CS	Consumer surplus
D	Demand
MC	Marginal cost
MR	Marginal revenue
P	Price
Q	Quantity
Q*	Profit maximizing/Loss minimizing quantity
S	Supply
TR	Total revenue

01 P and Q by a monopolist 1



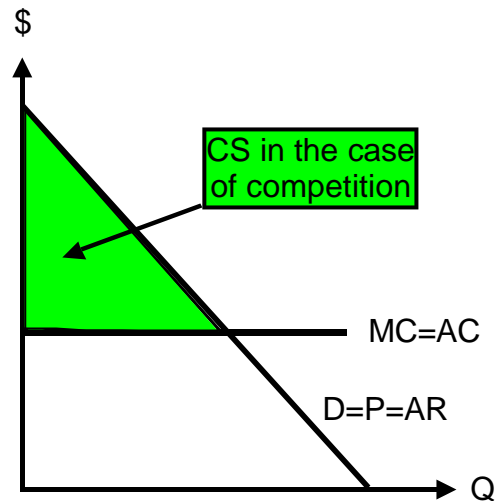
- ① Which Q^* is chosen by the monopolist?
- ② What is different in comparison to competition where $P = MC$?

02 P and Q by a monopolist 2

P	9	8	7	6	5	4	3	2	1	0
Q	0	1	2	3	4	5	6	7	8	9

The monopoly has constant MC of 5. Which P and which Q^* will be chosen?

03 Consumer surplus in the case of a monopoly

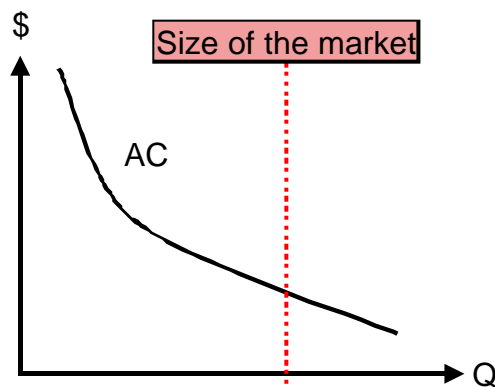


What happens to CS if there is a monopoly?

04 Loss in the case of a monopoly

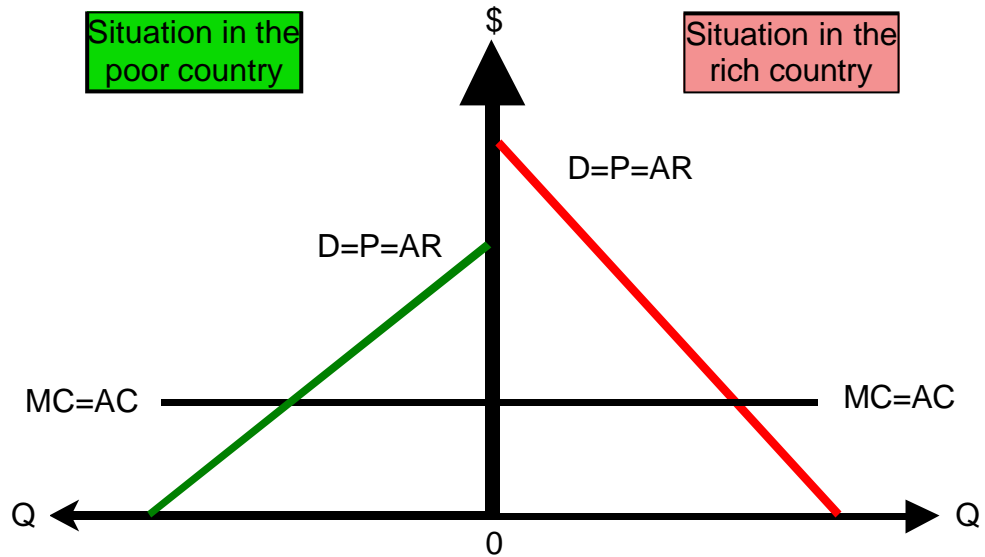
Draw a graph to show that a monopolist can be confronted with a loss.

05 AC and monopoly



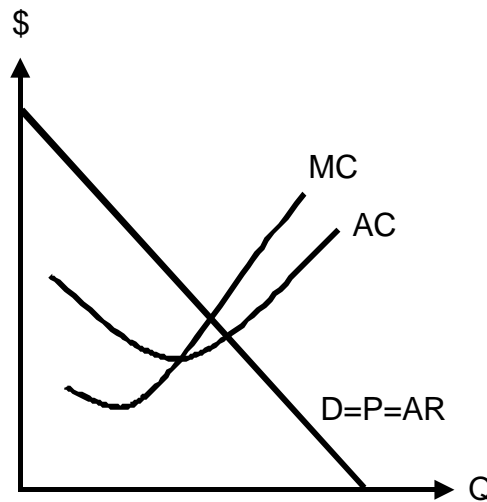
Why is it probable that a monopoly exists in this market?

06 Price discrimination by a monopolist



Which P and Q* are chosen in either country to maximize the combined total profit?

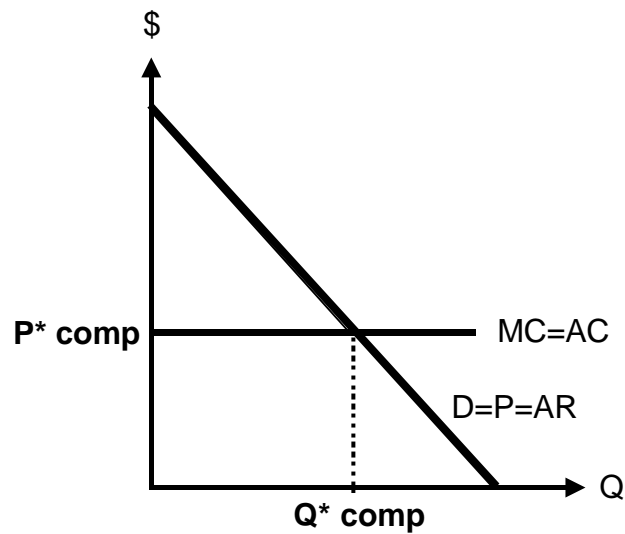
07 Revenue maximization by a monopolist



Determine P, Q and profit if the monopolist maximizes total revenue (and not profit).

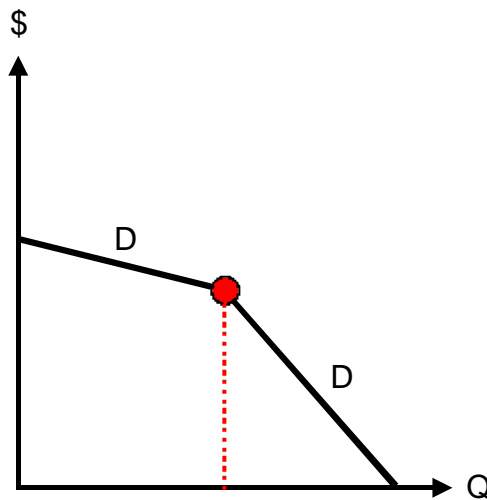
08 Collusion in the case of an oligopoly

Market situation the case of competition:



Which P and Q* are set if the oligopolists collude?

09 Oligopoly



- ① Why is the D curve kinked?
- ② Draw the MR curve.

10 Prisoners' dilemma game by two oligopolist

Outcome (pay-off): Profit

(Low output → High price

High output → Low price)

		Firm 2			
		Low output		High output	
Firm 1	Low output	3	3	0	5
	High output	5	0	2	2

- ① Which strategy is dominant?
- ② Can the oligopolists improve profits by colluding?

→ [Answers. Click here!](#)