Econ 202 Quiz 6

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. A monopolist will operate where
   a. MR = MC and charge a price equal to marginal revenue.
   b. MR = MC and charge a price equal to marginal cost.
   c. MR = MC and charge a price corresponding to demand at that level.
   d. MC = MR and charge a price corresponding to average cost.

2. In Figure 10-3, one can tell from the graph that the monopolist will earn a positive profit only if
   a. the price exceeds $3.
   b. the price exceeds $2.
   c. output is less than 60 units.
   d. One cannot tell from the information given.

3. In Table 10-2, marginal revenue at the profit-maximizing output is how much?
   a. $5
   b. $7
   c. $8
   d. $110

4. In Table 10-2, the price at the profit-maximizing output is how much?
   a. $15
   b. $7
c. $10

d. $11

5. A market transaction causes an externality if someone
   a. directly involved in the transaction receives uncompensated benefits or costs from it.
   b. not directly involved in the transaction receives uncompensated benefits or costs from it.
   c. directly involved in the transaction seeks legal assistance to ensure that the transaction is
      carried out.
   d. not directly involved in the transaction interferes in it by imposing regulations or product
      standards.

6. The key explanation for the prevalence of waterway pollution is
   a. the inclusion in production of all costs involving use of the waterway.
   b. that there are private costs but no costs to society.
   c. that waterways are not private property and can be used free of charge.
   d. that waterways are subject to the market's normal control procedures.
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Answer Section

MULTIPLE CHOICE

1. C
2. D
3. C
4. D
5. B
6. C