

Economics 1021-001
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Fall 2019

QUIZ #4 (VERSION A)

Directions: Please write your name, student number, and tutorial section number at the top of this sheet. Then write your answers below. There is a total of 100 points.

Syllabus Paragraph G: The only electronic device allowed during quizzes and exams is a nonprogrammable and nongraphing calculator, without a lid. Thus cell phones, iPods, iPads, laptops, dictionaries, wristwatches, and timepieces are prohibited. Having on your person any electronic device other than the calculator will be understood as cheating.

Syllabus Paragraph H: Students must bring their student ID and a pencil to each quiz and exam. Optional are additional writing instruments, an eraser, a water bottle without a sleeve, or medication. Prohibited are pencil cases and food. Students must place all backpacks and coats at the front or side of the exam room.

Question 1. (10 points) A single-price monopolist's demand curve

- (a) is the same as the market demand curve.
- (b) is the same as the firm's marginal revenue curve.
- (c) shows that demand for the good is perfectly elastic.
- (d) shows that demand for the good is perfectly inelastic.
- (e) both (b) and (c).

Fill in the blank with the letter of the best option: a

Question 2. (10 points) When a monopoly practices perfect price discrimination, the

- (a) market demand curve is the same as the firm's marginal cost curve.
- (b) market demand curve is the same as the firm's marginal revenue curve.
- (c) market demand curve is horizontal.
- (d) market supply curve is the same as the firm's marginal revenue curve.
- (e) market supply curve is horizontal.

Fill in the blank with the letter of the best option: b

Question 3. (10 points) When a monopoly stops charging a single price and starts practicing price discrimination,

- (a) the monopoly increases quantity, so consumer surplus increases.
- (b) new firms enter the industry, so consumer surplus increases.
- (c) it charges different prices to different consumers and transfers some of the consumer surplus to economic profit.
- (d) some firms exit the industry, so consumer surplus decreases.
- (e) the monopoly decreases quantity, which decreases consumer surplus.

Fill in the blank with the letter of the best option: c

Question 4. (20 points) Rocky's Fishing Club has the following demand schedule and cost structure for guided fishing trips on Fanshawe Lake.

Price (\$/trip)	Quantity demanded (trips)	Quantity produced (trips)	TFC (\$)	TVC (\$)
100	0	0	40	0
90	1	1	40	20
80	2	2	40	40
70	3	3	40	60
60	4	4	40	80
50	5	5	40	100

Suppose Rocky is a single-price monopolist, and that the number of trips is a whole number (as opposed to a fraction). He will sell 4 trips, charge 60 dollars per trip, and make a profit of 120 dollars.

Question 5. (50 points) Marjorie bought an old house, and when cleaning the attic, she found a beautiful painting. Although she will keep the original, she plans to sell prints. The cost of making prints is zero, and the demand for prints is $Q = 10 - P$. Marjorie could (a) maximize total surplus, or (b) maximize profits as a single-price monopolist, or (c) maximize profits as a perfectly-discriminating monopolist. The columns in the table below correspond to these three possibilities. Please fill in the blanks. (For simplicity, suppose that the number of paintings can be a fraction.)

	(a)	(b)	(c)
quantity	10	5	10
total surplus	50	37.5	50
producer surplus	-	25	50
consumer surplus	-	12.5	0