

Principles of Microeconomics
Assignment 9 (Chapter 15)
Answer Sheet

Name _____

Class Day/Time _____

Questions of this homework are in the next few pages. Please find the answer of the questions and fill in the blanks below. Turn in this answer sheet on the due date in class. Keep the remaining pages to study.

1. _____

11. _____

2. _____

12. _____

3. _____

13. _____

4. _____

14. _____

5. _____

15. _____

6. _____

16. _____

7. _____

17. _____

8. _____

18. _____

9. _____

19. _____

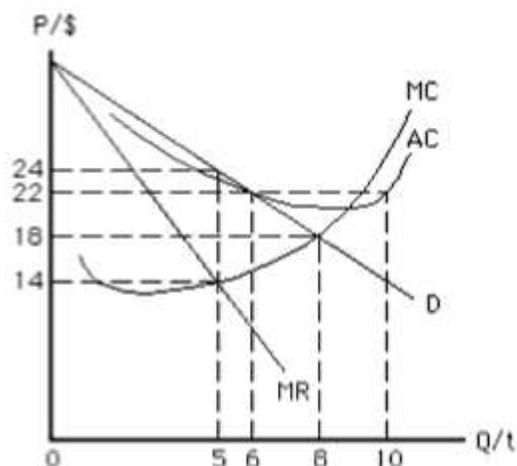
10. _____

20. _____

Principles of Microeconomics
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- _____ 1. Government controls of price, output, entry of new firms, and quality of service in industries where monopoly appears desirable are known as
- antitrust regulation
 - economic regulation
 - social regulation
 - antimerger regulation
- _____ 2. Government attempts to prohibit monopolization of a market are known as
- antitrust policy
 - economic regulation
 - social regulation
 - anticompetitive regulation
- _____ 3. Government regulation on the unsafe working conditions is
- social regulation
 - economic regulation
 - Herfindahl regulation
 - antitrust regulation
- _____ 4. If a monopolist is forced to set price equal to average total cost, economic profit
- will be negative, and the monopolist may go out of business
 - will be zero
 - will be positive
 - will be negative, and the firm will stay in business if there are significant fixed costs
- _____ 5. Which of the following groups benefits from regulation, according to the special interest theory of regulation?
- all consumers
 - society as a whole
 - certain consumers
 - certain producers
- _____ 6. The government often makes regulation that benefits producers because
- the government seeks to regulate in the best interest of the public
 - producers seek to act in the best interest of the public
 - consumers have a strong interest in matters that affect their standard of living
 - producers have a strong interest in matters that affect their specialized source of income
- _____ 7. Which of the following best illustrates a vertical merger.
- GM merges with Chrysler
 - Nike merges with Kraft Foods
 - Microsoft merges with Dell
 - UPS merges with FedEx

Exhibit 15-5



NARREND

- _____ 8. If the natural monopoly in Exhibit 15-5 is unregulated, what is the profit maximizing quantity?
- Q = 10
 - Q = 8
 - Q = 6
 - Q = 5
- _____ 9. If the natural monopoly in Exhibit 15-5 is unregulated, at what price the firm should charge to maximize profit?
- P = \$24
 - P = \$22
 - P = \$18
 - P = \$14
- _____ 10. If the natural monopoly in Exhibit 15-5 is regulated by the government so that it can only earn a normal profit (breaks even), then
- P = \$24 and Q = 8
 - P = \$22 and Q = 6
 - P = \$24 and Q = 5
 - P = \$20 and Q = 8
- _____ 11. If the government sets the price at where demand = marginal cost to the natural monopoly in Exhibit 15-5, then
- Q = 5, P = \$24
 - Q = 6, P = \$22
 - Q = 8, P = \$18
 - Q = 10, P = \$22
- _____ 12. The first federal antitrust law enacted in the United States was:
- The Clayton Act
 - The Sherman Antitrust Act
 - The Robinson Patman Act
 - The Federal Trade Commission Act

- _____ 13. Which of the following best states the main criticism of the Sherman Act?
- It was overly harsh.
 - It was unnecessary at the time.
 - It was too vague.
 - It duplicated existing law.
- _____ 14. A camera manufacturer will sell its cameras only to retailers who agree to buy its brand of film. This is an example of
- price discrimination
 - exclusive dealing
 - a tying contract
 - interlocking directorates
- _____ 15. Ersatz Kreme will sell its filling to Hunky Donuts only if Hunky Donuts agrees not to buy filling from other suppliers. This is an example of
- price discrimination
 - exclusive dealing
 - a tying contract
 - interlocking directorates
- _____ 16. Under U.S. antitrust law, a consent decree allows a firm to
- admit to an antitrust violation without penalty
 - admit to an antitrust violation without a lawsuit
 - challenge the government's accusation in court
 - cease the alleged wrongdoing without admitting guilt
- _____ 17. Which of the following *most accurately* describes the type of mergers that the antitrust laws are intended to prohibit?
- mergers that tend to reduce competition
 - horizontal mergers
 - both vertical and horizontal mergers
 - conglomerate mergers
- _____ 18. To calculate the Herfindahl index,
- add the market shares of all firms in an industry
 - add the market shares of any four firms in an industry and then square them
 - add the market shares of the four largest firms in an industry
 - square the market shares of all firms in an industry and then add them
- _____ 19. There are five firms in the cresset industry. The market shares of the five firms are 60 percent, 15 percent, 15 percent, 6 percent, and 4 percent. The Herfindahl index is
- 96
 - 4,086
 - 10,000
 - 4,102
- _____ 20. The index that the U.S. government currently uses to determine whether a merger should be allowed is
- Herfindahl index
 - Schumpeter index
 - four-firm concentration ratio
 - consumer price index