Test 3 Study Guide

1. What two things do firms equate to determine how much they produce?

2. How do perfectly competitive firms maximize profits in the short-run?

3. Where is the short-run supply curve of a perfectly competitive firm?

4. What will an increase in demand do in a competitive industry?

5. Given that there are external economies or external diseconomies, what do we know about the new price given that there is an increase in demand?

6. How do we determine profit of a perfectly competitive firm if given a graph?

7. When price falls below the minimum of what the firm will stop production immediately?

8. In perfect competition, what are the four cases of profits or losses?

9. What does it mean for there to be a "short-run" equilibrium in perfect competition?

10. What are the conditions for the long-run competitive equilibrium?

11. In the long-run, firms exit an industry for what reason?

12. What is earning a normal profit the same thing as?

13. If you are given a marginal revenue curve in monopoly but not a demand curve, how we determine its location?

14. Describe the monopolist's supply curve.

15. Along a demand curve with varying elasticity, where does a monopolist produce?

16. What are the steps in determining how much a monopolist produces vis-à-vis perfect competition?

17. The amount of consumer surplus that becomes producer surplus in monopoly is called what?

18. What is a natural monopoly and why does it occur?

19. What is an allocatively efficient output when given a graph?

20. Even if it is obvious the monopolist is incurring a loss, how can a perfectly discriminating monopoly turn it into a profit?