



Section 2: Quiz

Monopoly

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ___ 1. a single seller in a market
- ___ 2. a producer's average cost drops as production rises
- ___ 3. a company has exclusive rights to sell a new good or service for a specific time period
- ___ 4. a single seller has the rights to sell goods in an exclusive market
- ___ 5. consumers are divided into groups and each is charged differently

Column II

- a. economies of scale
- b. franchise
- c. monopoly
- d. patent
- e. price discrimination

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- ___ 6. A natural monopoly is
 - a. any situation in which only a single seller is allowed to exist.
 - b. a monopoly in which the goods produced are agricultural resources.
 - c. an industry that runs best when one firm produces all the output.
 - d. an industry in which the government provides all the output.
- ___ 7. A government's purpose in giving an antitrust exemption to sports leagues is to
 - a. increase the league owners' profits.
 - b. prevent other cities from financing competing sports.
 - c. prevent the athletes from starting new teams.
 - d. keep team play orderly and stable.
- ___ 8. A discounted airline fare is a price discrimination that can be offered because
 - a. people do not necessarily want to go where the discounts will allow them to go.
 - b. vacationers are willing to put up with the restrictions that the airlines impose.
 - c. people who fly on business want the price discounts but do not qualify.
 - d. senior citizens qualify for discounts on certain types of flights but not on others.
- ___ 9. Patents are a form of monopoly that society allows because they
 - a. encourage firms to research and develop new products that benefit society as a whole.
 - b. maintain an orderly way for companies to make a lot of money.
 - c. give companies the right to decide who will be allowed to use their products.
 - d. set up a situation in which only a few manufacturers can control an industry.
- ___ 10. The controller of a monopoly sets the price of goods by charging
 - a. as much as possible regardless of the amount sold.
 - b. only a small amount over cost.
 - c. the price at which the profit is maximized.
 - d. less than they would charge if they did not have a monopoly.