

Introduction to Economics I

Lecture 15

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Exercise 1

True or False

In all markets, $MR=MC$ is the profit maximizing rule .

True. The above statement is true for all 4 market types.

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Exercise 2

True or False

In competitive markets, firms are producing differentiated goods.

False. In competitive markets, firms are producing homogeneous goods.

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Exercise 3

True or False

In competitive markets, firms can influence the market price.

False. In competitive markets, firms are price takers and they can not affect the market price.

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Exercise 4

True or False

In duopoly, there are only two firms in the industry.

True.

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Exercise 5

True or False

In monopoly, $P=MR$.

False. In monopoly $P>MR$.

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Exercise 6

True or False

All games have at least one Nash equilibrium.

False. Some games have 0 Nash equilibrium.

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Exercise 7

True or False

Output produced in competitive markets is higher than the one produced in monopoly.

True.

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Exercise 8

True or False

$ATC \times q = \text{Total cost}$ (ATC: AVERAGE TOTAL COST, q: QUANTITY)

True.

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Exercise 9

True or False

Entry is not easy in monopolistic competition.

False. Entry is easy in monopolistic competition, since there are no entry barriers.