

## Quiz 9

*Indicate whether the statement is true or false.*

1. Monopolistic competition is a market structure characterized by many small firms selling a homogeneous product.
  - a. True
  - b. False
  
2. Monopolistic competitors in long-run equilibrium will generally find that they are earning economic profits.
  - a. True
  - b. False
  
3. By differentiating their products and promoting brand name loyalty, monopolistically competitive firms can raise prices without losing all their customers.
  - a. True
  - b. False

*Indicate the answer choice that best completes the statement or answers the question.*

4. Which of the following is not true of long run equilibrium under monopolistic competition?
  - a. Price equals marginal cost.
  - b. Price equals average cost.
  - c. Price equals minimum average total cost.
  - d. None of the above.
  
5. Which of the following is uncharacteristic of monopolistic competition in the long run?
  - a. a large number of sellers in the industry
  - b. zero economic profits
  - c. price in excess of marginal cost
  - d. firms have no excess capacity

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6. A monopolistically competitive firm derives its ability to influence price from:
  - a. the perfectly elastic demand curve it faces.
  - b. barriers to entry.
  - c. its product, which is differentiated in some way from competing products.
  - d. its position as the sole supplier in the market.
  
7. Long-run equilibrium under monopolistic competition is similar to long-run equilibrium under perfect competition in that:
  - a. price equals the minimum average total cost.
  - b. firms face perfectly elastic demand curves.
  - c. price equals average cost.
  - d. marginal revenue equals average cost.
  
8. Characteristics of a monopolistically competitive market include all of the following *except*:
  - a. some influence over price.
  - b. a large number of sellers.
  - c. barriers to entry.
  - d. differentiated products.
  
9. Characteristics shared by monopolistically competitive markets and perfectly competitive markets include:
  - a. differentiated products.
  - b. advertising.
  - c. many sellers.
  - d. brand identity.
  
10. In long-run equilibrium in a monopolistically competitive market, firms typically:
  - a. earn a normal profit.
  - b. charge a price equal to marginal cost.
  - c. earn an above-normal profit.
  - d. charge a price equal to marginal revenue.

Name (PRINT): \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

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### Answer Key

1. False

2. False

3. True

4. d

5. d

6. c

7. c

8. c

9. c

10. a