Question 1

In which of the following markets is **economic profit driven to zero in the long run**?

A. Oligopoly
B. Monopoly
C. Perfect competition
D. All of the above are correct

Question 2

Crude oil is supplied to the world market primarily by a few Middle Eastern countries. Such a market is an example of a(n):

A. (i) and (ii)
B. (ii) and (iii)
C. (iii) only
D. (i) and (iii)

Where:

- (i) Imperfectly competitive market
- (ii) Monopoly market
- (iii) Oligopoly market

Question 3

The prisoners' dilemma provides insights into the:

A. Benefits of avoiding cooperation
B. Ease with which oligopoly firms maintain high prices
C. Difficulty of maintaining cooperation
D. Benefits of government ownership of monopoly

Question 4

In game theory, a **dominant strategy** is:

A. A strategy that must appear in every game
B. The best strategy to follow only if other players cooperate
C. The best strategy to follow regardless of the strategies chosen by other players
D. A strategy that allows one player's interests to dominate others

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Question 5

When an industry has many firms, the industry is:

A. Perfectly competitive if firms sell differentiated products; monopolistically competitive if firms sell identical products
B. Monopolistically competitive if firms sell differentiated products; perfectly competitive if firms sell identical products
C. An oligopoly if firms sell differentiated products; perfectly competitive if firms sell identical products
D. An oligopoly if firms sell differentiated products; monopolistically competitive if firms sell identical products

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Question 6

If advertising makes consumers more loyal to particular brands, it could __ **the elasticity of demand and** __ the markup of price over marginal cost.

A. Increase, increase
B. Decrease, decrease
C. Increase, decrease
D. Decrease, increase

Question 7

Markets with only a few sellers, each offering a product similar or identical to the others, are typically referred to as:

A. Monopoly markets
B. Competitive markets

C. Oligopoly markets
D. Monopolistically competitive markets

Question 8

In the prisoners' dilemma game with Bonnie and Clyde as the players, the likely outcome is one:

A. In which neither Bonnie nor Clyde confesses
B. That is ideal for both Bonnie's and Clyde's self-interest
C. In which both Bonnie and Clyde confess
D. That involves neither player pursuing a dominant strategy

Question 9

When firms agree among themselves on the quantity to produce and the price at which to sell output, their form of organization is called a:

A. Cartel
B. Nash arrangement
C. Monopolistically competitive oligopoly
D. Perfectly competitive oligopoly

Questions 10–15: Use the information below

The table below shows the **total demand** for premium digital cable TV subscriptions in a small urban market.
Assume each company has a **fixed cost of $100,000 per year** and **zero marginal cost**.

Quantity	Price (per year)
0	$120
3,000	$100
6,000	$80
9,000	$60
12,000	$40
15,000	$20
18,000	$0

Question 10

If there is only one digital cable TV company in this market, what price will it charge to maximize profit?

A. 60 USD
B. 80 USD
C. 100 USD
D. 40 USD

Question 11

If there are two digital cable TV companies and they are able to collude, what price (P) and quantity (Q) will they choose?

A. P = 40 USD, Q = 12,000
B. P = 80 USD, Q = 6,000
C. P = 60 USD, Q = 9,000
D. P = 100 USD, Q = 3,000

Question 12

If the two firms collude and split the market equally, how much profit will each firm earn?

A. 170,000 USD
B. 480,000 USD
C. 40,000 USD
D. 540,000 USD

Question 13

If the two firms cannot collude, how many subscriptions will be sold in total at the Nash equilibrium?

A. 12,000
B. 3,000
C. 9,000
D. 6,000

Question 14

At the Nash equilibrium (no collusion), what price will premium digital cable TV subscriptions sell for?

A. 40 USD
B. 100 USD
C. 80 USD
D. 60 USD

Question 15

At the Nash equilibrium (no collusion), how much profit will each firm earn?

A. 170,000 USD
B. 220,000 USD
C. 0 USD
D. 140,000 USD