T  F  1. A monopolist will maximize its profits when price is equal to marginal cost.

T  F  2. Frequently firms have to compete to become a monopolist.

T  F  3. A monopolist operates in an industry in which the demand curve is \( P = 200 - 4Q \). If its total costs of production are \( TC = 100 + 8Q \), it will maximize its profits by producing 24 units of output.

T  F  4. A common practice with a regulated monopoly is to set price equal to average cost.

T  F  5. Most firms look forward to selling to a monopsonist.
T  F  6. Most firms have the ability to price discriminate.

T  F  7. It has been argued that peak load pricing increases efficiency.

T  F  8. In the long run, monopolistically competitive firms tend to earn economic profits.

T  F  9. Seldom do we observe barriers to entry in oligopolistic industries.

T  F  10. Forming and maintaining a cartel is fairly easy.

T  F  11. The industry demand curve for a factor of production will usually be less elastic than the sum of the individual firm’s demand curves.
T  F 12. The backward bending supply curve of labor is due to workers being irrational.

T  F 13. Maximizing one’s economic rents from employment is a desirable goal.

T  F 14. A monopsonistic employer faces a supply curve of labor, \( w = 2Q \). If its marginal product of labor is \( 10 - Q \) and it sells its output in a competitive market for a price of 2, it will maximize its profits by hiring 5 units of labor.

T  F 15. The lemon problem is associated with sailors having scurvy on early voyages to the New World.

T  F 16. Insurance companies have incentives to discourage moral hazard among its policy holders.

T  F 17. Economists assume that most people enjoy assuming additional risk.
T  F  18. Most people buy insurance because the expected return is greater than the expected cost.

T  F  19. Industries consisting of firms that produce negative externalities tend to produce too much output in terms of social welfare.

T  F  20. Education is the most obvious example of a public good.