Objectives for Chapter 12

Monopoly Characteristics
1. List the “perfectly competitive” assumptions that are not met by a monopolist.
2. Distinguish a natural monopoly from other monopolies.
3. Name three types of barriers to entry.

Profit-Maximization
4. Define marginal revenue.
5. Explain why the monopolist’s marginal revenue decreases as output increases.
6. Draw and interpret a diagram representing the price and output choices of a profit-maximizing monopolist.
7. Draw a diagram to compare a monopolist’s performance relative to that of a perfectly competitive firm in terms of price, output, and the effect on income distribution.

Price Discrimination
8. Explain what is meant by price discrimination.
9. Discuss the effects of price discrimination.

Government Intervention
10. Identify the two major policy positions adopted by the government with respect to promoting / restricting competition within an industry exhibiting monopoly characteristics.
11. Name the two government organizations charged with combating antitrust violations.
12. State the major antitrust laws and identify what they regulate.
13. Show the impact of price regulation of utilities on the output and efficiency of a monopolist.