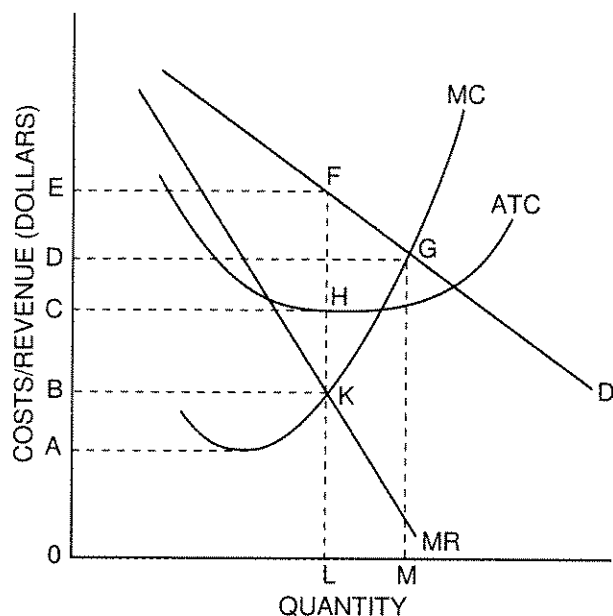


Monopolistic Competition



Figure 40.1

Monopolistically Competitive Firm in the Short Run



1. Use Figure 40.1 to answer these questions.

- (A) At what level of output will this firm operate? _____
- (B) What is marginal revenue at this level of output? _____
- (C) What price will this firm charge for its product? _____
- (D) The area of which rectangle is equal to total revenue? _____
- (E) What is the firm's average total cost? _____
- (F) The area of which rectangle is equal to the firm's total cost? _____
- (G) Is the firm making profits or incurring losses? _____
- (H) The area of which rectangle is equal to profits or losses? _____

Adapted from Otis Gilley, *Student Learning Guide to Accompany Miller: Economics* (New York: HarperCollins Publishers Inc., 1985).
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2. Would the demand curve for a monopolistic competitor be more or less elastic than the demand curve for a monopolist? Justify your answer.

3. What are the characteristics of a monopolistically competitive market? In what sense is there competition and in what sense is there monopoly in this type of market structure?

4. What are three examples of monopolistically competitive markets?

5. True, false or uncertain, and why? “Monopolistic competition is just another form of pure monopoly.”

6. True, false or uncertain, and why? “Monopolistic competition is even better than perfect competition.”

7. True, false or uncertain, and why? “In the long run, monopolistic competitors produce at their most efficient point.”