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ECO231 - MICRO-ECONOMIC THEORY I SUMMARY

LDMU stands for_____

Law of Diminishing Marginal Utility

A basic assumption of _____ is that because a consumer does not have an unlimited budget, his or her available cash for spending must be judiciously allocated for maximum benefit

Microeconomics

The _____ is considered to be a rational person who tries to spend his or her money to derive the maximum amount of satisfaction or utility from it.

Consumer

_____ expect that a consumer should not spend too much money irrationally by buying tons of items and stock piling them for the future, or starve themselves by buying no food at all.

Rational behaviour

_____ are believed to engage in rational behaviour.

Consumers

Consumers are believed to engage in _____ behaviour.

Rational

_____ is the study of consumers, groups, or organisations and the processes they use to select, secure, and dispose of goods, services, experiences, or ideas to satisfy needs and the effects that these processes have on the consumer and society.

Consumer behaviour

_____ is how consumers allocate their money incomes among goods and services.

Consumer behaviour

The basis of consumer behaviour is underlined by the thinking referred to as_____.

Law of diminishing marginal utility (LDMU)

Goods is also called_____

Commodity

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The consumer must be consistent in _____ and rankings.

Preference

The consumer must be consistent in preference and _____.

Rankings

The _____ must be consistent in preference and rankings.

Consumer

The consumer must be consistent in preference and rankings.

True

_____ connotes the expression “more is always better than less.”

Non-satiation

_____ is based on the notion that as a consumer consumes more and more of a particular good, the additional utility obtained decreases.

Convexity

Convexity is based on the notion that as a _____ more and more of a particular good, the additional utility obtained decreases.

Consumer consumes

Convexity is based on the notion that as a consumer consumes more and more of a particular good, the additional utility obtained _____.

Decreases

_____ can be defined as the change in utility due to an increase in the consumption of a given good.

Marginal utility

_____ says that marginal utility declines as consumption increases.

Convexity

Convexity says that _____ declines as consumption increases.

Marginal utility

Convexity says that marginal utility _____ as consumption increases.

Declines

Convexity says that marginal utility declines as _____ increases.

Consumption

Convexity says that marginal utility declines as consumption_____.
Increases

The consumer's objective is _____

To choose the bundle of goods which provides the greatest level of satisfaction as they the consumer define it

Consumer _____ are defined as the subjective (individual) tastes, as measured by utility, of various bundles of goods.

Preferences

_____ are defined as the subjective (individual) tastes, as measured by utility, of various bundles of goods.

Consumer preferences

The consumer preferences include the following

- Decisiveness
- Consistency
- Nonsatiation
- Convexity

A basic assumption of microeconomics is that because a _____ does not have an unlimited budget

Consumer

A basic assumption of microeconomics is that because a consumer does not have an _____ budget

Unlimited

_____ upposes that consumer consumers make their buying decisions in an effort to obtain the most happiness at the least cost

Microeconomics

_____ is the study of consumers, groups, or organisations and the processes they use to select, secure, and dispose of goods, services, experiences, or ideas to satisfy needs and the effects that these processes have on the consumer and society

Consumer behaviour

The essential foundation of _____ is a pattern of how consumers behave in the market

Demand

_____ are defined as the subjective (individual) tastes, as measured by utility of various bundles of goods

Consumer preferences

The consumer preferences include the following

- Decisiveness
- Consistency
- Non-satiation
- Convexity

_____ is based on the notion that as a consumer consumes more and more of a particular good the additional utility obtained decreases.

Convexity

_____ is defined as the change in utility due to an increase in the consumption of a given goods

Marginal utility

Formally, _____ is the additional satisfaction gained by the consumption or use of one more unit of something

marginal utility (MU)

_____ is defined as the level of happiness or satisfaction connected with alternative choices

Utility

_____ is defined as the level of happiness or satisfaction connected with alternative choices

Utility

The two economic theories that exhibit how a person maximises utility are _____ and _____

Ordinal and cardinal utility theory

There are _____ economic theories that exhibit how a person maximises utility

Two

_____ denotes the consumer preferences without assigning them numerical values

Ordinal utility

A consumer maximises utility if the utility received is greater than or equal to the _____ spent

Naira

_____ is the total satisfaction obtained from all units of a particular commodity consumed over a period of time

Total utility

The _____ associated with a good is the level of happiness derived from consuming the goods

Total utility

A consumer maximises utility if _____

The utility received is greater than or equal to the naira spent

_____ buy goods because they get satisfaction from them.

Consumers

Consumers buy _____ because they get satisfaction from them.

Goods

Consumers buy goods because they get _____ from them.

Satisfaction

Consumers buy goods because they get satisfaction from them.

True

The satisfaction which the consumer experiences when he consumes a good, when measured as number of utile is called _____.

Utility

_____ is the total satisfaction obtained from all units of a particular commodity consumed over a period of time

Total utility

The _____ associated with a good is the level of happiness derived from consuming the good.

Total utility

_____ means an additional or incremental utility.

Marginal utility

Marginal utility means an additional or _____ utility.

Incremental

_____ is a measure of the additional utility that is derived when an additional unit of the good is consumed.

Marginal utility

_____ can be described as difference between total utility derived from one level of consumption and total utility derived from another level of consumption.

Marginal utility

The _____ states that marginal utility declines as more of a particular good is consumed in a given time period all things being equal.

law of diminishing marginal utility

The first condition for marginal utility is sometimes referred to as the _____

Equimarginal principle

When there is a possibility that an inferior good may have an upward sloping demand curve if the income effect is larger in magnitude than the substitution effect. A good that exhibits such a demand curve is called a_____.

Giffen good

_____ is achieved when the ratio of marginal utility of one commodity is equal to its price is equal to the ratio of another to its price.

Consumer utility

_____ is measured as the ratio of total utility to a change in the number of items consumed while the law of diminishing marginal utility states that consumption of any item yields the consumer declining utility holding taste constant.

Marginal utility

_____ is the satisfying power goods have.

Utility

The satisfying power goods have is called_____

Utility

If a good causes problem for a consumer we say it has_____.

Disutility effect

If a consumer equally prefers two product bundles then the consumer is _____ between the two bundles.

Indifferent

_____ means an additional or incremental utility

Marginal utility

_____ is the change in the total utility that results from unit one unit change in consumption of the commodity within a given period of time

Marginal utility

_____ is a measure of the additional utility that is derived when an additional unit of the good is consumed

Marginal utility

_____ can be described as difference between total utility derived from one level of consumption and total utility derived from another level of consumption

Marginal utility

The _____ states that marginal utility declines as more of a particular good is consumed in a given time period all things being equal

Law of diminishing marginal utility

Total utility will decline only if marginal utility is negative

True

Total utility will decline only if _____

marginal utility is negative

The concept of consumer equilibrium can be used to explain the negative slope of a consumer's _____

Demand curve

A goods that exhibits an upward sloping demand curve is called a _____

Giffen good

The _____ is indifferent between two bundles when he equally prefers two product bundles

consumer

An _____ is a graph of all combinations of goods that provide a given level of utility

Indifference curve

Indifference curves are _____ sloping

Downward

Any two points on an indifference curve generate the same level of utility

True

The slope of indifference curve is the rate at which a consumer is willing to trade one good for another is also known as the _____

marginal rate of substitution

_____ reflects the maximum amount of good Y the consumer would be willing to give up obtaining an additional unit of X

Marginal rate of substitution (MRS)

The _____ can be portrayed as the slope of the indifference curve

Marginal rate of substitution

The marginal rate of substitution can be portrayed as the slope of the _____
indifference curve

The following are properties of indifference curves

- Higher indifference curves are preferred to lower ones
- Indifference curves are downward sloping
- Indifference curves do not cross (intersect)
- Indifference curves are bowed inward (in most cases)
- One of the basic assumptions of indifference curves is that the consumer buys combinations of different commodities
- Perfect substitutes have straight-line indifference curves
- A higher indifference curve that lies above and to the right of another indifference curve represents a higher level of satisfaction and combination on a lower indifference curve yields a lower satisfaction

The _____ of indifference curves represent the MRS rate at which consumers are willing to substitute one good for the other

Slopes

_____ is a curve that shows that all bundles are equally preferred or have the same utility or same level of satisfaction.

Indifference curve

_____ can be demonstrated using indifference curves.

Consumer behaviour

An _____ is a graph of all combinations of goods that provide a given level of utility.

Indifference curve

Any two points on an indifference curve generate the same level of _____.

Utility

Any two points on an _____ curve generate the same level of utility.

Indifference

Any two points on an indifference curve generate the same level of utility.

True

The slope of indifference curve is the rate at which a consumer is willing to trade one good for another which is known as the _____

Marginal rate of substitution

The _____ can be portrayed as the slope of the indifference curve.

Marginal rate of substitution

_____ is defined as the absolute slope of the tangent to an indifference curve.

Marginal rate of substitution

A higher indifference curve that lies above and to the right of another indifference curve represents a higher level of satisfaction and combination on a lower indifference curve yields a lower satisfaction

The _____ is used to explain the distinction between substitution and income effects of a price change.

Indifference theory

The substitution and income effect of price change on quantity demanded.

True

_____ proposed two concepts of value

Adam Smith

Adam Smith proposed _____ concepts of value

Two

Adam Smith proposed two concepts of value: _____ and value in exchange.

Value in use

Adam Smith proposed two concepts of value: value in use and _____.

Value in exchange

_____ argued that economists could explain the exchange value of a commodity by the amount of labour required to produce the commodity.

Adam Smith

Adam Smith did not propose a theory to explain the use value of a commodity.

True

_____ can be derived by adding up the marginal utilities associated with each unit of the good.

Total utility

The book 'The Wealth of Nation' was written by_____

Adam Smith

_____ faced a problem that has come to be referred as the "diamond-water" paradox

Adam Smith

The price that someone is willing to pay for an additional unit of a good is related to its

Marginal utility

The total benefit received from the purchase of a commodity expected to exceed the opportunity cost and provides consumers with a net gain from trade referred to as

Consumer surplus

The difference between the maximum amount a person is willing to pay for a good and its current market price is referred to as _____

Consumer surplus

_____ is defined as the structural/organisational and other characteristics of a market

Market structure

The price that someone is willing to pay for an additional unit of a good is related to its_____.

Marginal utility

_____ on a particular good is the product of the amount of the good purchased times its price.

Expenditure

The budget line plays _____ important roles.

Two

A _____ is the price of one good in terms of another.

Relative price

_____ shows how much of one good that the consumer must necessarily give up to obtain more of another.

Relative price

The structural or organisational and other characteristics of a market is referred to as _____

Market structure

_____ is the number of firms producing identical goods which are homogeneous in nature

Market structure

Average revenue is equal to price and is _____

Constant

The _____ of a firm is the total amount of money that the firm receives by selling a certain quantity of output.

Total revenue

The revenue earned by a firm per unit of output is called _____

Average revenue

Average revenue is equal to price in both competitive and noncompetitive markets

True

Revenue earned by selling additional unit of output is called _____

Marginal revenue

The change in the revenue resulting from a one unit increase in output is _____

Revenue Marginal

The _____ is determined by the interaction of market demand and market supply

Equilibrium price

_____ is maximised when marginal revenue equals marginal cost and marginal cost is rising

Profit

_____ can be defined as the additional revenue from one additional unit

Marginal revenue

_____ is defined as the additional cost from one additional unit

Marginal cost

_____ equals the market price for a firm facing a perfectly elastic demand curve.

Marginal revenue

_____ is defined in a similar manner as the net benefit received by producers from the sale of a good

Producer surplus

_____ encourage new firms to enter a competitive market

Economic profits

A _____ is a single producer of a product, which does not have close substitute

Monopoly

The _____ facing a monopoly firm is the market demand curve since the firm is the only firm in the market

Demand curve

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same or service

Price discrimination

The net cost of a monopoly is called _____

Deadweight loss

_____ is a situation in which sellers charge different customers different prices for the same product and services

Price discrimination

A _____ is a collection of goods with the features

Product group

A product group is a _____

Collection of goods with the features

An _____ is where there are a few sellers with similar or identical products

Oligopoly

Oligopolistic industries share several behavioural tendencies including: ☐ Interdependence

- rigid prices
- non-price competition
- mergers
- collusion

In _____ model of duopoly the players of this game are a leader and a follower and they compete on quantity.

Stackelberg's

The Stackelberg leader is sometimes referred to as the _____

Market leader

The _____ is an attempt to explain how income is distributed among the factors of production

theory of distribution

The prices paid for factors of production are

- Rent
- Wage
- Interest
- Profit

The theory of factor pricing is the same as theory of _____

Distribution

The factors needed in the production process are also known as _____

Production services

_____ refers to extra unit of output or product as a result of the employment of an extra unit of labour while keeping the application of other factors fixed

Average Marginal Productivity

Marginal productivity can be used in these three ways:

- Marginal physical productivity (MPP)
- Marginal revenue productivity (MRP)
- Value of marginal physical productivity (VMPP)
- Marginal revenue productivity is the additional revenue gotten to the producer on the account of the sale of all additional units of the goods

MPP stands for _____

Marginal Physical Productivity

MRP stands for _____

Marginal Revenue Productivity

VMPP stands for _____

Value of Marginal Physical Productivity

_____ is referred to as additional revenue gotten to the producer on the account of the sale of one extra unit of the goods produced.

MP

_____ refers to per unit productivity of a variable factor

Average productivity

_____ is the physical units produced per unit of the variable factor.

Average physical productivity

_____ refers to the expenditure incurred on employing of the factor of production

Cost of the factor

Total factor cost is the cost of a factor in terms of money which is called _____

Factor cost

_____ is defined as the additional cost of employing/purchasing one unit of a factor

Marginal Factor Cost (MFC)

MFC stands for _____

Marginal Factor Cost

The marginal productivity theory of income distribution states that under perfect competition, factor tends to receive a real rate of return which was exactly just equal to their marginal productivity.

The marginal productivity theory of distribution determines the prices of factors of

_____ **Production**

_____ refers to addition to the total physical product by employing one more unit of a factor

Marginal product

Marginal product is otherwise called _____

Marginal Physical Product (MPP)

When MPP is multiplied by price it is called _____

Value of Marginal Product (VMP)

_____ is the addition made to total revenue by employing an additional unit of a factor

Marginal revenue product (MRP)

_____ theory assumes that productivity of a factor is equal in all its uses.

Marginal productivity theory

A consumer buys a good only if the purchase is expected to makes the person better off (or at least not worse off).

True

_____ is best defined as the structural/organisational and other characteristics of a market.

Market structure

_____ is the number of firms producing identical goods which are homogeneous in nature.

Market structure

There are _____ basic types of market structures by traditional economic analysis

Four

The following are the basic types of market structures by traditional economic analysis

- perfect competition
- monopolistic competition
- oligopoly
- monopoly

_____ exists in an industry where perfect competition is characterised by many buyers and sellers many products that are similar in nature and as a result many substitutes.

Perfect competition

_____ means there are few if any barriers to entry for new companies and prices are determined by supply and demand.

Perfect competition

_____ have perfect information about the prices all sellers in the market charge

Consumers

Consumers have perfect information about the prices all sellers in the _____ charge

Market

The amount the firm receives for a typical unit is known as the _____

Average revenue

The _____ of a firm is the total amount of money that the firm receives by selling a certain quantity of output.

Total revenue

Revenue earned by a firm per unit of output is called _____.

Average revenue

Average revenue is equal to price in both competitive and noncompetitive markets.

True

Revenue earned by selling additional unit of output is called as _____.

Marginal revenue

The _____ is determined by the interaction of market demand and market supply.

Equilibrium price

The equilibrium price is determined by the interaction of _____ and market supply.

Market demand

The equilibrium price is determined by the interaction of market demand and _____.

Market supply

_____ implies a variety of ways consumers and firms interact in the market.

Market structure

Perfect competition exists in an industry where:

- many firms sell identical products to many buyers
- there are no restrictions to entry into the industry
- established firms have no advantages over new ones
- sellers and buyers are well informed about prices

_____ is maximised when marginal revenue equals marginal cost (i.e. marginal revenue = marginal cost) and marginal cost is rising.

Profit

The additional revenue from one additional unit is known as _____

Marginal revenue

The additional cost from one additional unit is called _____

Marginal cost

A firm maximises its profits by_____

Producing the level of output at which marginal revenue equals marginal cost

Marginal revenue equals the market price for a firm facing a _____

Perfectly elastic demand curve

Economic profits are equal to profit per unit x number of units of output.

True

If the market price is just equal to the minimum point on the ATC curve the firm will receive a level of economic profits equal to_____.

Zero

As market supply _____the equilibrium price falls.

Increases

As market supply increases the equilibrium price_____.

Falls

_____ is defined in a similar manner as the net benefit received by producers from the sale of a good.

Producer surplus

_____ encourage new firms to enter a competitive market.

Economic profits

Economic profits encourage new firms to enter a _____market.

Competitive

Economic profits encourage new firms to enter a_____.

Competitive market

Economic profits encourage new _____to enter a competitive market.

Firms

A _____ is a single producer of a product, which does not have close substitute.

Monopoly

_____ is the ability to increase the product's price above marginal cost without losing all customers it provides firms the ability to increase the price by restricting supply such that $MR > MC$.

Market power

The ability to increase the product's price above marginal cost without losing all customers it provides firms the ability to increase the price by restricting supply such that $MR > MC$ is called_____

Market power

The following are the features of monopoly

- Monopolist maximises profits
- Monopolist decides the price of the good or product to be sold
- Monopolist creates high barriers to entry
- In a monopoly there is one seller of the good that produces all the output.
- A monopolist can change the price and quality of the product

The following are the barriers of monopoly

- Economic barrier
- Economies of scale
- Scale of capital
- Technological superiority
- No substitute goods
- Ownership/control of a key resource
- Network effects
- Special right given by government
- Elimination strategies/ actions
- Difficulty to exit may be a source of market power

A monopoly firm will shutdown in the short run if the price falls below AVC.

True

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same or service.

Price discrimination

In pure_____, the seller will charge each customer the maximum price that he or she is willing to pay.

Price discrimination

_____ monopolist charges the maximum price each client is willing to pay.

First-degree price discrimination

The maximum price a client is willing to pay for a unit of the good is the_____.

Reservation price

_____ monopolist uses quantity to discriminate clients as s/he charged different prices based on how much they purchased.

Second-degree price discrimination

_____ know that client's willingness to buy decreases as more units are purchased.

Monopolists

_____ is multi-market price discrimination.

Third-degree price discrimination

The _____ divides the clients into different groups according to their willingness to pay as measured by their price elasticity of demand.

Monopolist

The firm then attempts to maximise profits in each segment by equating _____ and _____

marginal revenue (MR) and marginal cost (MC)

The net cost to society is equal to the outer shaded triangle CBF. This net cost of a monopoly is called _____.

Deadweight loss

_____ is a measure of the loss of consumer and producer surplus that results from the lower level of production that occurs in a monopoly industry.

Deadweight loss

_____ occurs if monopolies have less incentive to produce output in a least-cost manner since they are not threatened with competitive pressures.

X-inefficiency

_____ behaviour occurs when firms expend resources to acquire monopoly power by hiring _____

Rent-seeking

An alternative pricing strategy is to ensure that the owners of the monopoly receive only a "fair rate of return" on their investment rather than monopoly profits.

_____ is a situation in which sellers charge different customers different prices for the same product and services.

Price discrimination

A _____ market has characteristics of both perfect competitive and monopoly.
monopolistic competitive

A monopolistic competitive market has characteristics of both _____ and monopoly.
perfect competitive

A monopolistic competitive market has characteristics of both perfect competitive and _____.
Monopoly

A monopolistic competitive market has characteristics of both perfect competitive and monopoly.
True

The features of monopolistic competition include the following

- Product differentiation using branding and advertisement
- Many firms in the industry
- Free entry and exit to buyers and sellers in the long run
- Independent decision making
- Market power
- Imperfect Information available to buyer and seller

A monopolistic competition firm can increase its prices without dropping all its customers.
True

_____ means a monopolistic competitive firm faces a downward sloping demand curve.
Market power

The monopolistically competitive market is similar to perfect competition in that _____

There are many buyers and sellers who can enter or leave the market easily in response to economic profits or losses

A perfectly competitive firm will also produce a larger quantity of output than would be produced by a monopolistically competitive firm.
True

A monopolistic market is a market where we have:

- Differentiated products
- Large number of firms
- Free entry and free exit

An _____ is where there are a few sellers with similar or identical products.

Oligopoly

Oligopolistic industries share several behavioural tendencies including

- Interdependence
- Rigid prices
- Non-price competition
- Mergers
- Collusion

The legal combination of two firms into a single firm is called _____

Merger

_____ occurs when two or more firms secretly agree to control prices, production or other aspects of the market.

Collusion

There are _____ types of collusion

Two

_____ collusion results when two or more firms reach a formal agreement.

Explicit

_____ collusion results when two or more firms informally control the market with necessarily reaching a formal agreement.

Implicit

OPEC means _____

Petroleum Exporting Countries

_____ is an open, formal collusive agreement among petroleum producing countries to control prices and production.

Petroleum Exporting Countries

In _____ model, the firms move sequentially

Stackelberg's duopoly

In _____ model, the firms simultaneously choose quantities.

Cournot's duopoly

In _____ model, the firms simultaneously choose prices.

Bertrand's oligopoly

The _____ is the simplest oligopoly model.

Cournot-Nash model

According to _____, the theory of factor pricing deals with the prices paid for factor services and earned by the sellers of factor of production that is the households.

Anatol Murad

According to Anatol Murad, the _____ deals with the prices paid for factor services and earned by the sellers of factor of production that is the households.

Theory of factor pricing

The theory of factor pricing is the same as theory of distribution.

True

The contribution of a factor of production to the total output are _____ and _____

Marginal productivity and average productivity

_____ refers to extra unit of output or product as a result of the employment of an extra unit of labour while keeping the application of other factors fixed.

Marginal Productivity

If marginal productivity is measured by the extra unit of product produced it is called _____

Marginal Physical Productivity (MPP)

_____ is calculated by multiplying marginal physical productivity (MPP) of a factor by the price of the product.

Value of marginal physical productivity (VMPP)

Price of the product is the same as average revenue (AR).

True

_____ refers to per unit productivity of a variable factor.

Average productivity

_____ is the physical units produced per unit of the variable factor.

Average physical productivity (APP)

_____ is obtained by dividing total physical product TPP by number of units of the variable factor employed N, i.e.

Average physical productivity (APP)

_____ refers to revenue generated per unit of the variable factor.

Average revenue productivity

_____ is the revenue obtained per unit of the factor employed.

Average Revenue Productivity (ARP)

_____ is obtained by dividing total revenue product TRP by the total number of units of the factor employed N, i.e.

Average Revenue Productivity (ARP)

_____ is the amount of a commodity produced per unit of resources used.

Productivity of factor

_____ refers to the expenditure incurred on employing of the factor of production.

Cost of the factor

_____ is the cost of a factor in terms of money which is called factor cost.

Total factor cost

Total factor cost is the cost of a factor in terms of money which is called _____.
factor cost

Total factor cost is further divided into _____ and marginal factor cost.
average

Total factor cost is further divided into average and _____.
marginal factor cost

Note: Average factor cost (AFC) and Marginal factor cost (MFC) are considered the cost of variable factors, as it is the employment of variable factors which the firm is concerned with.

_____ is obtained by dividing total factor cost TFC by the total number of units of the factor employed N (labour)

Average Factor Cost (AFC)

_____ is defined as the additional cost of employing/purchasing one unit of a factor.

Marginal Factor Cost (MFC)

_____ is the additional cost associated with a oneunit increase in resource use.

Marginal Factor Cost (MFC)

According to _____, the marginal productivity theory of income distribution states that under perfect competition, factor tends to receive a real rate of return which was exactly just equal to their marginal productivity.

Leibhafasky

According to Leibhafasky, _____ states that under perfect competition, factor tends to receive a real rate of return which was exactly just equal to their marginal productivity.

The marginal productivity theory of income distribution

The _____ determines the prices of factors of production.

marginal productivity theory of distribution

The marginal productivity theory of distribution determines the _____
prices of factors of production

_____ theory assumes that productivity of a factor is equal in all its uses.

Marginal productivity

Assumptions of the Marginal Productivity Theory

- Prevalence of perfect competition in factor as well as product market
- All factors are identical
- Factors are perfect substitute for each other
- Factors are perfectly mobile
- Perfect divisibility of factors
- The theory operates in the long-run
- The theory is based on full employment

Problem Inherent in the Use of Marginal Productivity Theory

- Assumptions are not realistic
- MRP is difficult to calculate
- Heterogeneous factors
- Reward determines productivity

It is difficult to measure marginal revenue productivity of a factor.

True

In reality, different units of a factor are not identical.

True

The reward of a factor is determined by the_____.

Factor's marginal productivity

_____ refers to the degree of responsiveness of demand for the various factors to changes in their prices.

Elasticity of Demand for Factors

The theory of factor pricing is criticised on the ground of its weak assumptions.

- The theory is based on the assumption of perfect competition in both the product and factor markets.
- The theory assumes that all the unit of a factor is homogenous.
- The theory assumes that different factors of production are capable of being substituted for one another.
- The theory ignores the increasing returns in factor pricing.

Marginal productivity theory explains how factor prices are determined in markets not how factor prices should be determined.

True

A _____ firm will employ that number of labourers at which their marginal wage (MW) is equal to their marginal revenue productivity (MRP).

Monopsony

Any two points on an indifference curve generate the same level of _____

Utility

The curve that shows that all bundles are equally preferred, or have the same utility or same level of satisfaction is _____ curve

Indifference

The assumption of _____ means that the consumer must be able to say that they prefer commodity bundle A to B, or B to A, or that bundles A and B provide the same level of utility.

Decisiveness

Change in utility due to an increase in the consumption of a given good is defined as - _____ utility

Marginal

The maximum amount of good Y the consumer would be willing to give up obtaining an additional unit of X is reflected by _____

MRS

_____ is defined as the level of satisfaction connected with alternative choices.

Utility

The demand of factor of production is a_____.

Derived demand

The aggregate satisfaction obtained from all units of a particular commodity consumed over a period of time is _____.

Total utility

The demand for input is called _____

Derived demand

The difference between total utility derived from one level of consumption and total utility derived from another level of consumption is _____.

Marginal utility

Total utility will decline only if marginal utility is _____

Negative

If a good causes problem for a consumer we say it has _____

Disutility effect

_____ is best defined as the structural/organisational and other characteristics of a market.

Market structure

_____ is the total amount of money that the firm receives by selling a certain quantity of output

Total revenue

The total revenue for a firm which is selling 10 television sets at N21, 000 each is _____.

N210,000

Revenue earned by selling additional unit of output is called _____

Marginal revenue

The _____ of a firm is the total amount of money that the firm receives by selling a certain quantity of output

Total revenue

The utility approach assumes that consumer satisfaction is measurable on a(an)_____ scale.

Cardinal

The true _____ exists where there is only one seller of a product for which no close substitute is available.

Monopoly

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same goods or service.

Price discrimination

When total utility increases, marginal utility is positive and _____

Declining

Firms operating in a perfect competitive market are price _____

Takers

To maximize utility subject to budget constraint, the ratio of marginal utility to price should be the _____ for all goods

Same

_____ theory is an attempt to explain how income is distributed among the factors of production.

Distribution

The MRS can be portrayed as the slope of _____

Indifference curve

_____ may engage in Stackelberg competition if one has some sort of advantage enabling it to move first

Firms

A _____ competitive market has characteristics of both perfect competition and monopoly

Monopolistic

The relative price of good X in terms of good Y is shown by the _____ of the budget line

Slope

A firm maximises its profits by producing the level of output at which _____ equals marginal cost

Marginal revenue

_____ encourage new firms to enter a competitive market.

Economic profits

Second Degree _____ is when a monopolist uses quantity to discriminate clients as he/she charged different prices based on how much they purchased

Price Discrimination

Monopolists know that client's willingness to buy decrease as more units are _____

Purchased

Third Degree _____ is when the monopolist divides the clients into different groups according to their willingness to pay as measured by their price elasticity of demand

Price Discrimination

_____ is characterised by mutual interdependence among firm; each firm make its policy with an eye to the policies of competing firms.

Oligopoly

Marginal revenue equals the market price for a firm facing a perfectly _____ demand curve

Elastic

Cost of the factor refers to the expenditure incurred on employment of the _____

Factors of production

The demand for factors of production is a _____ demand.

Derived

_____ of demand for factors is referred to as the degree of responsiveness of demand for the various factors to changes in their prices.

Elasticity

The buyers and sellers of a factor in a perfectly competitive market are called _____

Price takers

_____ refers to extra unit of output as a result of the employment of an extra unit of labour while keeping the application of other factors fixed.

Marginal productivity

A market structure where there are a few sellers with similar or identical products is a _____ market

Oligopoly

_____ is a term used to describe a firm that has control over the terms and conditions of exchange

Market power

_____ revenue is equal to price in both competitive and non-competitive markets

Average

_____ is referred to as the net gain from trade

Consumer surplus

_____ shows how much of one good that the consumer must necessarily give up to obtain more of another.

Relative price

A _____ firm will produce at the point at which $P = MC$, as long as $P > AVC$.

Perfect market

The demand curve facing a monopoly firm is the _____ demand curve

Market

If a good causes problem for a consumer, we say it has _____ effect.

Disutility

Deadweight loss may understate the cost of monopoly as a result of either X-inefficiency or _____ behaviour on the part of monopolies.

Rent-seeking

_____ Utility theory does not use utility as a unit of measurement

Ordinal

A _____ occurs when two or more firms secretly agree to control prices, production, or other aspects of the market

collusion

An _____ means that oligopolistic firms perpetually balance the need for competition against the benefits of cooperation

interdependence

A _____ competitive market has characteristics of both perfect competitive and monopoly

monopolistic

There are _____ types of price discrimination in the monopoly market

3

The demand curve facing a monopoly firm is the _____ demand curve

market

A single producer of a product, which does not have close substitute is called _____
monopoly

If the market price is just equal to the minimum point on the ATC curve, it is called _____
break even price

The firm will shut down if the price is less than _____
average variable cost

Marginal revenue equals the _____ for a firm facing a perfectly elastic demand curve
market price

Profit is maximised when _____
MR = MC

The amount the firm receives for a typical unit is known as the _____
average revenue

There are _____ basic types of market structures by traditional economic analysis
4

The revealed preference theory makes _____ assumptions
2

The slope of the budget line shows the _____ price of good X in terms of good Y
relative

The budget line plays _____ important roles
2

The budget constraint says that _____ equal to the sum of consumer expenditure
income

When Adam Smith was referring to "value in use," he was actually referring to the concept of _____
total utility

The _____ theory is used to explain the distinction between substitution and income effects of a price change.
indifference

The slope of indifference curve is also known as _____
MRS

Any two points on an indifference curve generate _____ level of utility
same

Consumer behaviour can also be demonstrated using _____
indifference curves

The difference between total utility derived from one level of consumption and total utility derived from another level of consumption is _____

marginal utility

The total satisfaction obtained from all units of a particular commodity consumed over a period of time is _____

total utility

A consumer _____ utility if the utility received is greater than or equal to the naira spent

maximizes

Convexity says that _____ declines as consumption increases

marginal utility

The consumer must be _____ in preference and rankings.

consistent

The essential foundation of demand, therefore, is a pattern of how _____ behave in the market

consumers

The consumer is considered to be a _____ person, who tries to spend his or her money to derive the maximum amount of satisfaction

rational

A basic assumption of microeconomics is that because a consumer does not have an budget

unlimited

Each firm is a price _____ in a perfectly competitive resource market

Taker

Each firm in a perfectly competitive market faces a resource supply curve that is perfectly _____ at the equilibrium resource price

Elastic

The marginal factor cost curve in a perfectly competitive market is _____ at the market price of the resource

Horizontal

A firm in the labour market is in equilibrium when Marginal _____ productivity curve of labour cuts the marginal factor cost curve from above

Revenue

_____ is a market situation in which there is only one buyer of the factors of production

Monopsony

_____ of factor refers to a situation in which it is employed at a price that is less than its marginal productivity

Exploitation

Price of a factor of production under imperfect competition will be less than _____ revenue **productivity**

Marginal

In _____ factor market, firms can influence the price

Imperfect

The marginal productivity theory of income distribution states that under perfect competition, factor tends to receive a real rate of return which was exactly just equal to their marginal

Productivity

The marginal productivity theory of distribution determines the _____ of factors of production

Prices

When Marginal Physical Product is multiplied by price, it is called _____ of marginal product

Value

_____ revenue product is the addition made to total revenue by employing an additional unit of a factor

Marginal

Under perfect competition, a firm employs various units of a factor up to that point where the price paid to the factor is equal to its marginal _____

Productivity

Marginal productivity theory assumes that productivity of a factor is _____ in all its uses

Equal

The marginal productivity theory has how many assumptions?

7

Demand for factors of production is a _____ demand

Derived

How much a factor of production will be demanded in the market depends upon on how many parameters?

Two

By _____ of demand for factors is refers to the degree of responsiveness of demand for the various factors to changes in their prices.

Elasticity

If the price of a factor of production forms a very small proportion in the total costs of a product, then its demand will be _____

Inelastic

If cost forms a greater proportion of the total cost, then its demand will be _____

Elastic

If the demand for a commodity is fairly elastic, then the demand for factors which go to make the product will be _____

Elastic

If a factor of production is easily substitutable in the market, then its demand will be fairly _____

Elastic

If we add up laterally individual demand curves of all the firms, we get _____ demand curve for a factor

Market

The supply of a factor to an industry depends upon the _____ earnings of the various units of factor

Transfer

One characteristic of factors of production is that they do not bear direct relation between the prices of services offered by the factors of production and their _____ of production

Cost

The supply of factors of production is very _____ because each factor presents a peculiar problem of its own

Complicated

The supply curve of a factor of production is _____ inclined

Positively

The theory of factor pricing assumes that all the unit of a factor is _____ but in the real life, they are different from each other.

Homogenous

The expenditure incurred on employing of the factor of production is called _____ of the factor

Cost

If every unit of the factor is available at the same _____ average cost of the factor and marginal cost of the factor is the same

Price

_____ productivity prefers to extra unit of output or product as a result of the employment of an extra unit of labour while keeping the application of other factors fixed

Marginal

_____ productivity refers to per unit productivity of a variable factor

Average

In Stackelberg's model of _____, the players of this game are a leader and a follower and they compete on quantity

Duopoly

The Stackelberg leader is sometimes referred to as the _____ leader

Market

Firms may engage in Stackelberg competition if one has some sort of _____ enabling it to move first

Advantage

If one firm in an oligopoly reduces its prices, then all of the other firms in the oligopoly will _____ theirs

Reduce

A firm in an oligopoly market will have a _____ demand curve

Kinked

The _____ model is essentially the Cournot-Nash model except the strategic variable is price rather than quantity.

Bertrand

The _____ Nash model is the simplest oligopoly model

Cournot

Price leadership is sometimes called _____ collusion

Tacit

In some markets, there is a single model that controls a share of the market and a group of smaller firms _____

Dominant

_____ Collusion results when two or more firms reach a formal agreement.

Explicit

_____ collusion results when two or more firms informally control the market with necessarily reaching a formal agreement

Implicit

Because oligopoly has a small number of firms, the incentive to cooperate through _____ is quite high

Mergers

_____ means that oligopolistic firms perpetually balance the need for competition against the benefits of cooperation

Interdependence

_____ among interdependent oligopoly firms is comparable to a game or an athletic contest

Competition

An _____ is where there are a few sellers with similar or identical products

Oligopoly

A _____ competitive market has characteristics of both perfect competitive and monopoly

Monopolistic

_____ power means that the firm has control over the terms and conditions of exchange

Market

In a monopoly industry, _____ profits could persist indefinitely due to the existence of barriers to entry

Economic

_____ behaviour also expect that a consumer should not spend too much money by buying tons of items and stockpiling them for the future, or starve themselves by buying no food at all

Rational

The basis of consumer behaviour is underlined by the thinking referred to as _____

law of diminishing marginal utility

_____ connotes the expression, "more is always better than less".

Non-satiation

_____ is based on the notion that as a consumer consumes more and more of a particular good, the additional utility obtained decreases

Convexity

The consumer preferences include the following except _____

Rationality

_____ is defined as the level of happiness or satisfaction connected with alternative choices

Utility

A consumer _____ utility if the utility received is greater than or equal to the naira spent.

Maximizes

A consumer maximizes utility when the _____ is tangent to the highest attainable indifference curve.

Budget line

The _____ associated with a good is the level of happiness derived from consuming the good.

Total utility

_____ means an additional or incremental utility

Marginal utility

_____ is the difference between total utility derived from one level of consumption and total utility derived from another level of consumption

Marginal utility

When $MUA/PA = MUB/PB = \dots = MUZ/PZ$, for all commodities (A-Z) is called _____
equimarginal principle

There is a possibility that an inferior good may have an upward sloping demand curve if the _____ is larger in magnitude than the substitution effect

income effect

_____ is a graph of all combinations of goods that provide a given level of utility.

Indifference curve

The slope of indifference curve is known as the _____
marginal rate of substitution

Perfect substitutes have _____ indifference curves
straight-line

The _____ is used to explain the distinction between substitution and income effects of a price change
indifference theory

_____ proposed the value in use and value in exchange
Adam Smith

The _____ say that income is equal to the sum of consumer expenditure
budget constraint

A _____ is the price of one good in terms of another.
relative price

The _____ received by this consumer is the difference between the total benefit and total cost..
consumer surplus

_____ is best defined as the structural/organizational and other characteristics of a market
Market structure

_____ is characterized by many buyers and sellers, many products that are similar in nature and, as a result, many substitutes

Perfect competition

Revenue earned by a firm per unit of output is called _____
average revenue

Revenue earned by selling additional unit of output is called as _____
marginal revenue

Each firm faces a demand curve for its product that is _____ at the market price.
perfectly elastic

The demand curve facing perfectly competitive firm is characterized by the following multiple equality: _____
P=D=AR=MR

What is the average revenue for a firm which is selling 35 units of commodity X and getting the total revenue of N3000?
85.71

By selling 30 units, firm JKB make N300. After selling the 31st unit, firm's revenue increased to 318. What is the marginal revenue in this situation?
18

Profit is maximized when marginal revenue equals marginal cost and marginal cost is _____
Rising

_____ equals the market price for a firm facing a perfectly elastic demand curve.
Marginal revenue

A firm's profit per unit of output equals _____
revenue – total cost

In mathematical terms, this means that the firm will stay in business as long as _____
TR = P x Q > VC

The firm will shut down if the _____
price is less than average variable cost

If the market price is just equal to the minimum point on the ATC curve, the firm will receive a level of economic profits equal to _____
Zero

In general, a perfectly competitive firm's short-run supply curve is the portion of its marginal cost curve that _____ the AVC curve.
lies above

This long-run equilibrium condition has _____ desirable efficiency properties

Two

Production at _____ means that society is producing each good at the lowest possible cost per unit.

minimum average cost

$P = MC$, and $P = \text{minimum ATC}$ _____ occurs

Economic efficiency

The following are major types of barriers to entry encountered by a monopolists except ____
social

The demand curve facing a monopoly firm is _____

Downward sloping

A profit- maximizing monopolist must take its _____ and its _____ into account in determining how much output to produce.

Costs, revenue

A monopoly firm will shutdown in the short run if the price falls below _____

AVC

As in all other market structures, the monopolist is constrained by the _____ for its product

Demand

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same or service.

Price Discrimination

In _____ the seller will charge each customer the maximum price that he or she is willing to pay

pure price discrimination

Any two points on an indifference curve generate the same level of _____

Utility

The curve that shows that all bundles are equally preferred, or have the same utility or same level of _____ satisfaction is _____ curve

Indifference

The assumption of _____ means that the consumer must be able to say that they prefer commodity bundle A to B, or B to A, or that bundles A and B provide the same level of utility.

Decisiveness

Change in utility due to an increase in the consumption of a given good is defined as _____ utility

Marginal

The maximum amount of good Y the consumer would be willing to give up obtaining an additional unit of X is reflected by _____

MRS

_____ is defined as the level of satisfaction connected with alternative choices.

Utility

The demand of factor of production is a _____.

Derived demand

The aggregate satisfaction obtained from all units of a particular commodity consumed over a period of time is _____.

Total utility

The demand for input is called _____

Derived demand

The difference between total utility derived from one level of consumption and total utility derived from another level of consumption is _____

Marginal utility

Total utility will decline only if marginal utility is _____

Negative

If a good causes problem for a consumer we say it has _____

Disutility effect

_____ is best defined as the structural/organisational and other characteristics of a market.

Market structure

_____ is the total amount of money that the firm receives by selling a certain quantity of output

Total revenue

The total revenue for a firm which is selling 10 television sets at N21, 000 each is _____

N210,000

Revenue earned by selling additional unit of output is called _____

marginal revenue

The _____ of a firm is the total amount of money that the firm receives by selling a certain quantity of output

total revenue

The utility approach assumes that consumer satisfaction is measurable on a(an) _____ scale.

Cardinal

The true _____ exists where there is only one seller of a product for which no close substitute is available.

Monopoly

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same goods or service.

Price discrimination

When total utility increases, marginal utility is positive and _____
declining

Firms operating in a perfect competitive market are price _____

Takers

To maximize utility subject to budget constraint, the ratio of marginal utility to price should be the _____ for all goods

Same

_____ theory is an attempt to explain how income is distributed among the factors of production.

Distribution

The MRS can be portrayed as the slope of _____

Indifference curve

_____ may engage in Stackelberg competition if one has some sort of advantage enabling it to move first

Firms

A _____ competitive market has characteristics of both perfect competition and monopoly
Monopolistic

The relative price of good X in terms of good Y is shown by the _____ of the budget line

Slope

A firm maximises its profits by producing the level of output at which _____ equals marginal cost

Marginal revenue

_____ encourage new firms to enter a competitive market.

Economic profits

Second Degree _____ is when a monopolist uses quantity to discriminate clients as he/she charged different prices based on how much they purchased

Price Discrimination

Monopolists know that client's willingness to buy decrease as more units are _____

Purchased

Third Degree _____ is when the monopolist divides the clients into different groups

according to their willingness to pay as measured by their price elasticity of demand

Price Discrimination

_____ is characterised by mutual interdependence among firm; each firm make its policy with an eye to the policies of competing firms.

Oligopoly

Marginal revenue equals the market price for a firm facing a perfectly _____ demand curve

Elastic

Cost of the factor refers to the expenditure incurred on employment of the _____

Factors of production

The demand for factors of production is a _____ demand.

Derived

_____ of demand for factors is referred to as the degree of responsiveness of demand for the various factors to changes in their prices.

Elasticity

The buyers and sellers of a factor in a perfectly competitive market are called _____

Price takers

_____ refers to extra unit of output as a result of the employment of an extra unit of labour while keeping the application of other factors fixed.

Marginal productivity

A market structure where there are a few sellers with similar or identical products is a _____ market

Oligopoly

_____ is a term used to describe a firm that has control over the terms and conditions of exchange

Market power

_____ revenue is equal to price in both competitive and non-competitive markets

Average

_____ is referred to as the net gain from trade

Consumer surplus

_____ shows how much of one good that the consumer must necessarily give up to obtain more of another.

Relative price

A _____ firm will produce at the point at which $P = MC$, as long as $P > AVC$.

Perfect market

The demand curve facing a monopoly firm is the _____ demand curve

Market

If a good causes problem for a consumer, we say it has _____effect.

Disutility

Deadweight loss may understate the cost of monopoly as a result of either X-inefficiency or _____ behaviour on the part of monopolies.

rent-seeking

_____Utility theory does not use utility as a unit of measurement

Ordinal

Which of the following utilizes an ordinal scale of measurement?

Volume

_____ reflects the maximum amount of good Y the consumer would be willing to give up obtaining an additional unit of X

marginal rate of substitution

The true_____ exists where there is only one seller of a product for which no close substitute is available

monopoly

The utility approach assumes that consumer satisfaction is measurable on a(an)_____scale

cardinal

The_____of a firm is the total amount of money that the firm receives by selling a certain quantity of output

total revenue

There is no definite relationship between the supply of factors and the_____of factors

price

The net cost of a monopoly is called_____

deadweight loss

The price that someone is willing to pay for an additional unit of a good is related to its _____

marginal utility

The price that someone is willing to pay for an additional unit of a good is related to its _____ profit is achieved by the monopoly when the price is greater than marginal cost

abnormal profit

With the help of _____ theory we are able to expound both value in use and value in exchange

marginal analysis

The demand curve a monopolistically competitive firm faces is _____

fairly elastic

The demand curve for the pure monopolist is _____

downward slope

The demand for input is called _____

Derived demand

The demand of factor of production is a _____

derived demand

_____ occurs when two or more firms secretly agree to control prices, production or other aspect of the market

Collusion

The monopolist is a _____

price taker

The relationship between wages and leisure time for a worker is _____

indirect

The legal combination of two firms into a single firm is called _____

merger

The slope of the demand curve for an input such as labour will be _____

negative

The slope of the indifference curve measures the _____

Marginal rate of substitution

At present output a monopolist determines that its marginal cost is N18 and its marginal revenue is N21. The monopolist will maximize profits or minimize losses by _____

decreasing price and increasing output

When the monopolist is maximizing total profits or minimizing losses _____

average revenue is greater than marginal cost

Which of these is not assumed property of the ordinal preference function?

a change in income will shift the budget line

In long-run equilibrium, the pure monopolist (as opposed to the perfectly competitive firm) can make pure profits because of_____

blocked entry

Profit must be equal to zero for a typical firm in the long run equilibrium because_____

entry is easy

What is the situation called whenever firms in an industry reach an agreement to fix prices, divide up the market, or otherwise restrict competition?

Collusion

If monopolistic firms enter the industry in the long run_____

demand will decrease

In the short run, a typical monopolistically competitive firm will earn_____

an economic or normal profit or suffer an economic loss

The concern that monopolistically competitive firms express about product attributes, services to consumers, or brand names are aspects of_____

product differentiation

Which would be most characteristic of monopolistic competition?

a relatively large number of firms

The analysis of monopoly indicates that the monopolist_____

will seek to maximize total profit

A barrier to entry that significantly contributes to the establishment of a monopoly would be_____

economies of scale

Which would be defining characteristics of pure monopoly?

no close substitutes for the product exist and there is one seller

Which of the following contributes to the existence of oligopoly in an industry?

tastes and preferences of the consumer are held constant

In indifference curve analysis, the consumer will be in equilibrium at the point where the_____

budget line is tangent to the highest attainable indifference curve

Which of the following contributes to the existence of oligopoly in an industry?
economies of scale

Which would be most characteristic of oligopoly?
a few large producer

The relationship between wages and leisure time for a worker is _____
indirect

In the long run, firms will enter the market if positive economic profits are received and will leave the market if economic _____ are realized
losses

If the market price is equal to the minimum point on the ATC curve, the firm will receive a level of economic profits equal to _____
Zero

To maximize _____ we need to get the concept of the revenue and the costs of the business
Profit

If a firm is receiving economic _____ the owners are receiving a return on their investment that exceeds that which they could receive if their resources had been used in an alternative occupation
Profit

Marginal revenue equals the market price for a firm facing a perfectly _____ demand curve
elastic

A _____ maximizes its profits by producing the level of output at which marginal revenue equals marginal cost
firm

Market structure implies a variety of ways consumers and firms interact in the _____
market

The equilibrium price is determined by the interaction of market _____ and market supply
demand

_____ revenue earned by selling additional unit of output is called as marginal revenue
Marginal

Revenue earned by a firm per unit of output is called _____
average revenue

The _____ of a firm is the total amount of money that the firm receives by selling a certain quantity of output
total revenue

Industries in competitive markets take the market price as given _____ takers
price

Producers in a perfectly competitive market are subject to the prices determined by the market and do not have any _____
leverage

_____ in a perfectly competitive market are subject to the prices determined by the market and do not have any leverage

Producer

Perfect competition exists in an industry where perfect competition is characterized by many buyers and sellers, many products that are similar in nature and, as a result, many _____
Substitutes

Market structure is the number of _____ producing identical goods which are homogeneous in nature
firms

Income, wealth, and prices thus define what we call individual _____ constraint
budget

A consumer buys a good only if the purchase is expected to makes the person better off or at least not
worse off

Indifference curves map or graphically represent consumer _____
preferences

In the short run, monopolistically competitive firms may receive economic profits by successfully differentiating their _____
products

The monopolistically competitive market is similar to perfect competition in that there are many buyers and sellers who can enter or leave the market easily in response to _____ profits or losses
economic

The short-run equilibrium in monopolistic competition is the same as for a monopolist, and businesses may make positive, zero, or negative profits in the _____
short run

The monopolistic competitive firm gives no concern to what impact its decision may have on competitors/ rivals in the _____
market

_____ is a situation where numerous firms waiting to enter the market each with its own unique product or in pursuit of positive profits and any firm unable to cover its costs can leave the market without incurring liquidation costs in the long run
free entry and free exist

The greater the degree of product differentiation, the more the _____ can separate itself from the pack
firm

The higher the fixed costs, the fewer firms the _____ will support
market

A firm could cut prices and increase _____ without anxiety that its actions will prompt retaliatory responses from competitors
Sales

_____ is one of the market in-between perfectly competitive market and monopoly market.
Monopoly

A _____ firm can produce at a lower cost per unit of output than could any smaller firms in a natural monopoly industry
monopoly

Firms operating in markets other than those of perfect competition are able to increase their profits by engaging in _____
Price discrimination

_____ is a pricing strategy that enables monopolist to charge customers different prices for the same or service
Price discrimination

The true monopoly exists where there is only one seller of a product for which no _____ substitute is available
close

Monopolies are characterized by decreasing _____ for a relatively large range of production
cost

Monopolies derive their market power from barriers to _____
entry

A monopoly has market power which is the ability to increase the product's price above
_____ without losing all customers
marginal cost

A _____ is a single producer of a product which does not have close substitute
monopoly

The long-run _____ output in perfectly competitive market occurs at the lowest point on the
average total cost curve
equilibrium

The point where price equals _____ average variable cost is the short-run point
minimum

The short run production decision leads _____ firms to produce where price equal marginal
cost
Perfectly competitive