Market Structures: Problems

Consider the market for Kangaroo Jerky:

Table 1: Market for Kangaroo Jerky

Units	Marginal Utility	Marginal Cost
1	20	1
2	15	2
3	12	2
4	10	2
5	8	3
6	4	4
7	-3	5

1. (review) Calculate the equilibrium price and quantity under perfect competition.

2. Suppose that the supplier is a monopolist. What price and quantity will they charge?

3. Calculate the deadweight loss produced by monopoly.

4. Is it possible that having a monopoly could improve efficiency?

5. Suppose that the demander is a monopsonist. What price and quantity will they charge?

6. Calculate the deadweight loss produced by monopsonist

7. Now suppose that in addition to being a monppsonist, the demander is also award winning singer/songwriter Sir Elton John. How will this affect your answers?

8. For their to be a monopolist instead of perfect competition, what must exist in this market? Provide some possible examples.

9. Explain in words why monopoly and monopsony lead to deadweight loss.

10. What policy actions might prevent a monopoly from persisting in this market?

11. Now suppose that there is free entry and exit in this market. What will happen to the price and quantity from #3.

12. Why does it matter whether or not kangaroo jerky is a homogeneous good.

13. True or False? Oligopoly is a combination of monopoly and perfect competition.

14. True or False? Most actual markets meet the conditions for perfect competition.

15. Suppose that the market is an oligopoly. What do you think will determine whether the price is closer to the monopoly price or the perfectly competitive price?

16. True or False. The difference between monopolistic competition and perfect competition is that there are barrier to entries in the former, but not the latter.