Economics Synthesis and Review

Antitrust
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Let's start our synthesis and review by going over review questions 23 & 24 from the end of POE Ch. 9.

Review Problems

23. Is a monopolist typically allocatively efficient? Why or why not?

(I added in the word <u>typically</u> to make this more correct.)

(A) Yes.
(B) No.
(C) i.d.k.

Review Problems

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Review Problems

23. Is a monopolist typically allocatively efficient? Why or why not?

(A) Typically the monopolist is producing less than is socially optimal in order to keep prices high.
(B) Typically the monopolist is producing more than is socially optimal in order to keep prices high.
(D) Typically, even though the monopolist is producing the optimal amount, it's pushing prices higher than the equilibrium point, which is reducing consumer surplus.
(D) i.d.k.

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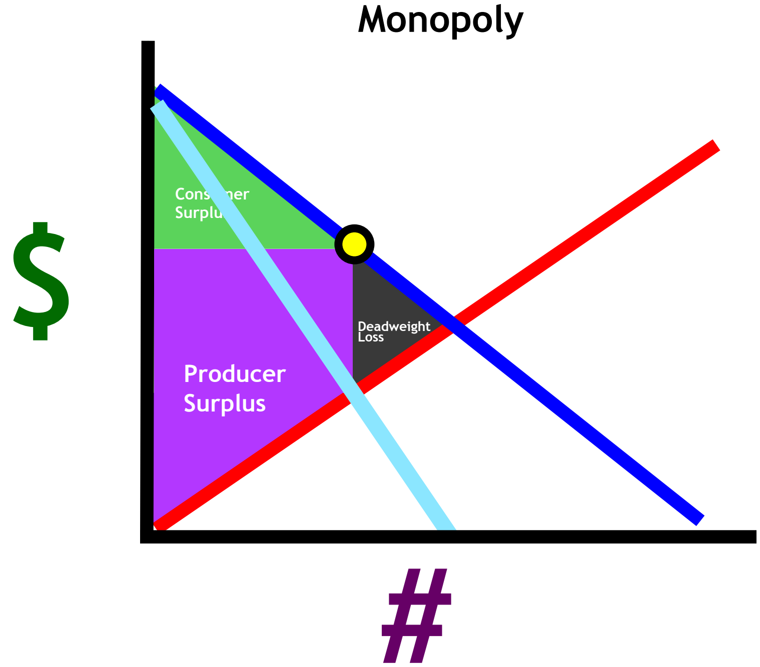
Monopoly



Feedback …

Assume for now that I got it right in terms of what economics concepts needed to be covered. From <u>your personal viewpoint</u>, how would you assess the pacing and amount of assigned materials?

(A) You went too slow. The concepts were more easily gettable than you accounted for.

(B) The pacing was roughly about right for me. Not too slow, not too fast.

(C) You went too fast. The concepts were more difficult than you accounted for.

(D) I was an econ major or had a lot of econ before law school, so I don't feel like I can answer this.

Feedback …

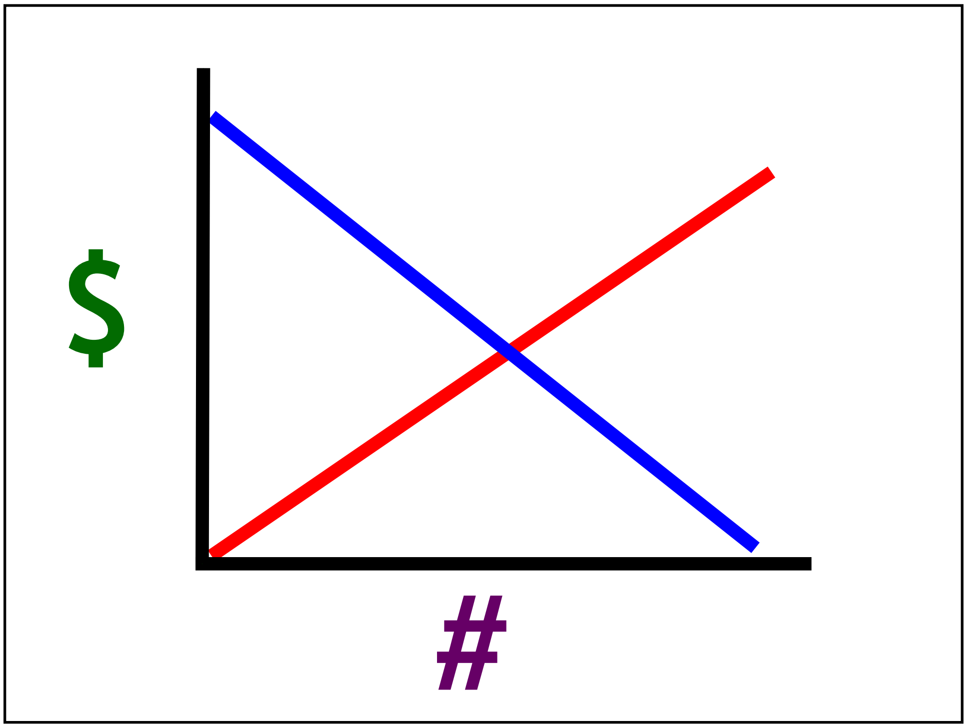
I'm pretty dissatisfied with the POE book. I'm thinking about either trying to re-write it (possible b/c it's open source), or dumping it altogether. What would you recommend going forward?

(A) The book's not terrible. It's worth thinking about revising it to tailor it to the course's needs.

(B) The book's so bad you should dump it. But you should have some kind of a book, even if students have to pay $20 to $30 for it.

(C) The book didn't help significantly. I was ready for the slides without it. I think between the videos and the slides, you don't need a book.

(D) I was an econ major or had a lot of econ before law school, so I don't feel like I can answer this.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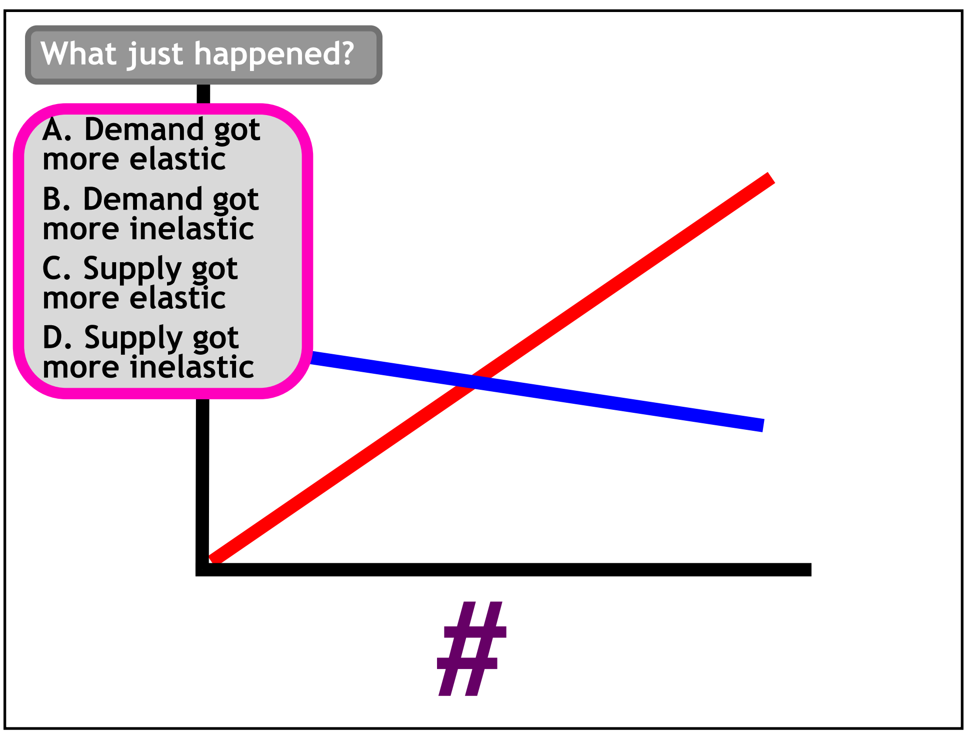
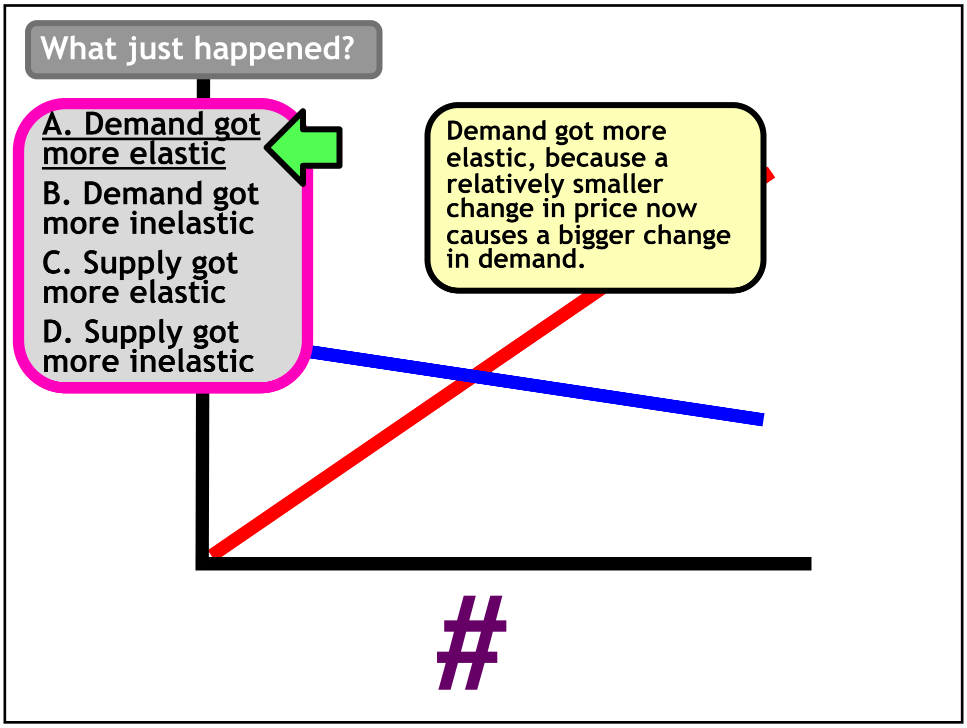

What just happened?
A. Demand got more elastic
B. Demand got more inelastic
C. Supply got more elastic
D. Supply got more inelastic
#


What just happened?
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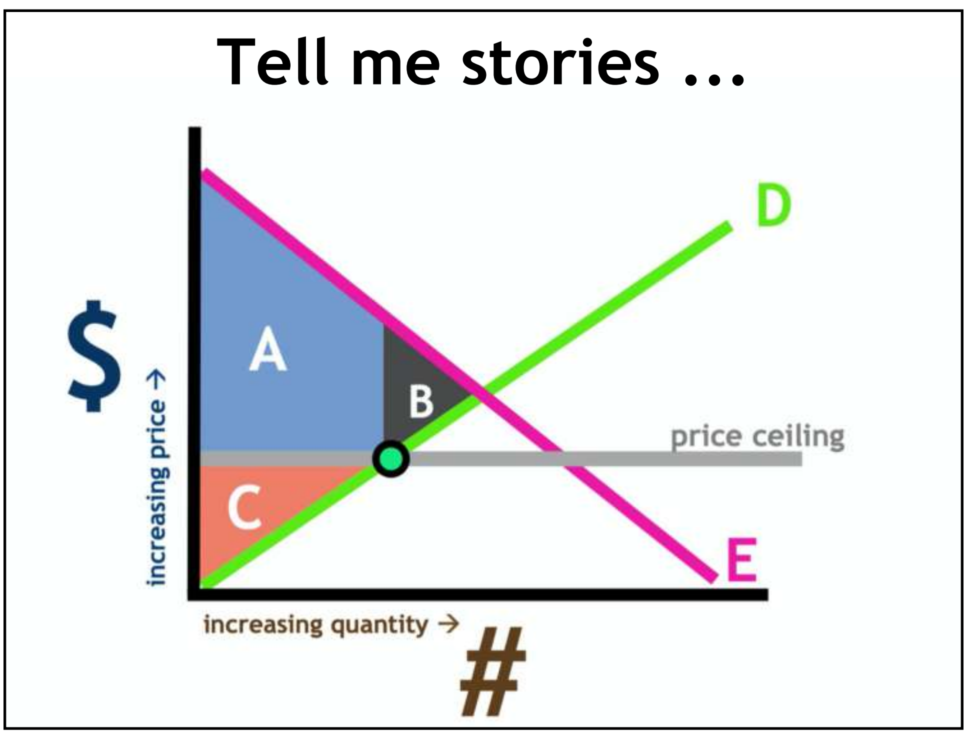
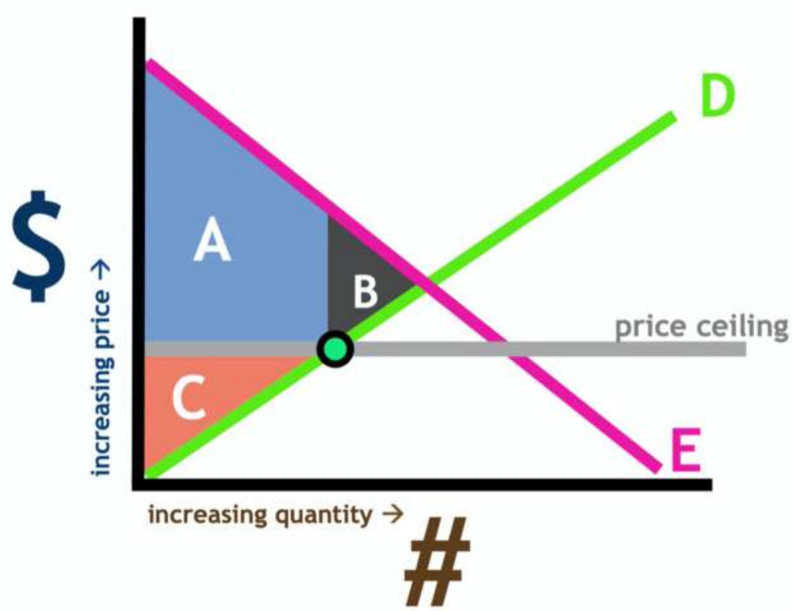
Demand got more elastic, because a relatively smaller change in price now causes a bigger change in demand.
#


Tell me stories ...
$
increasing price →
A
B
C
D
E
price ceiling
increasing quantity →
#

Tell me stories ... #1

Tell me a story about a buyer and seller that successfully transacted. Make your story unique, and use a product and situation that is different from any examples used in class or in any of our materials. For the buyer and the seller each, explain whether they came out better or worse than they would have without the price ceiling. Explain their story with reference to the graph on the preceding page.

Tell me stories ...



Tell me stories ... #2

Tell me a story about a buyer and seller that did not successfully transact. You can re-use the product and portions of the situation from Question 1; again, just make sure it's different from examples used in class or in any of our materials. For the buyer and the seller each, explain whether they came out better or worse than they would have without the price ceiling. Explain their story with reference to the graph on the preceding page.

Tell me stories ... #3

Tell me a story involving a realistic hypothetical situation in which there is only one producer in a market because of certain characteristics of the long-run average cost curve and demand. What would you expect to happen to consumer prices relative to marginal cost in such a market?

Convince me that in a competitive market prices will be driven down to the cost of production.

Polling …

1. How could one fairly compare a market with a price ceiling set below the market equilibrium price with a monopoly market where there is no price discrimination?

(A) They are different because the price ceiling market will have deadweight loss, while the monopoly market will have a lack of allocative efficiency.

(B) They are different because the monopoly market will have deadweight loss, while the price ceiling market will have a lack of allocative efficiency.

(C) They are similar because both markets will have an output level that is lower than the most societally efficient output level.

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Polling …

2. Which is the most plausible reason for how a monopolist could be allocatively efficient?

3. Which is the most plausible reason for how a monopolist could be productively efficient?

(A) The bottom of the monopolist’s long-run average cost curve corresponds with total market demand.

(B) The monopolist’s average fixed costs are higher than its average total costs.

(C) The monopolist perfectly price discriminates.

(D) The monopolist picks a single price point that maximizes total revenue.

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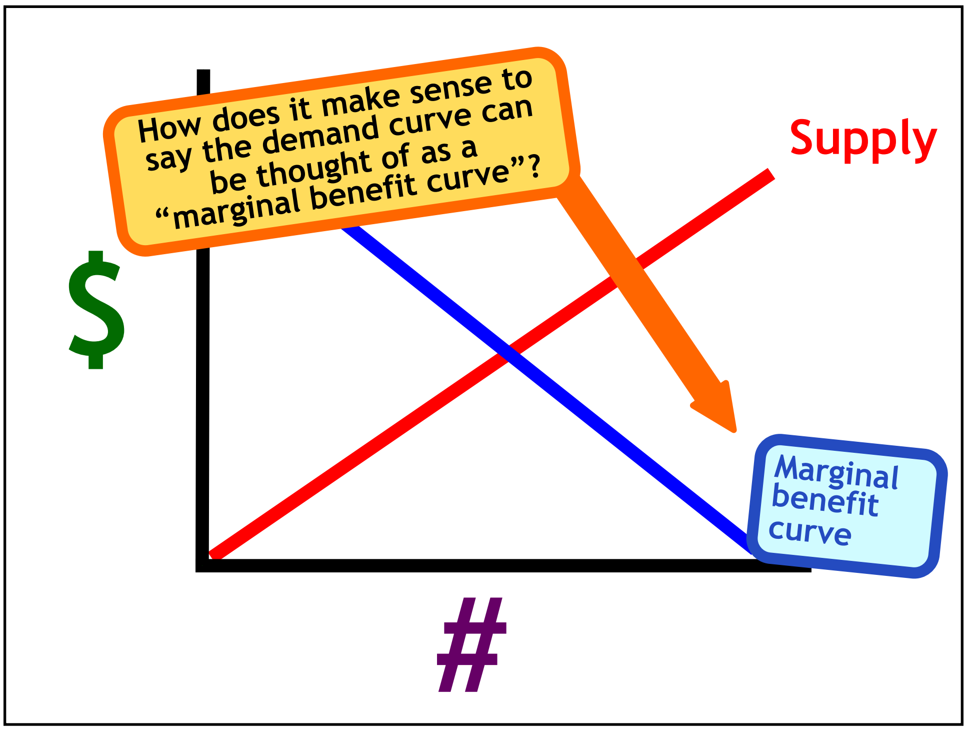

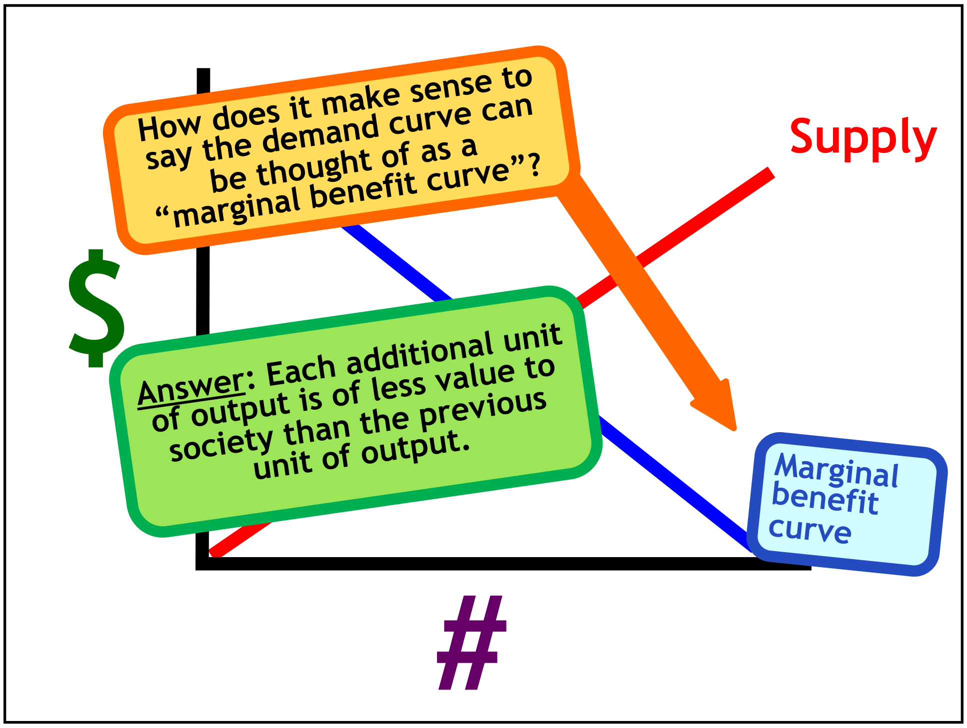

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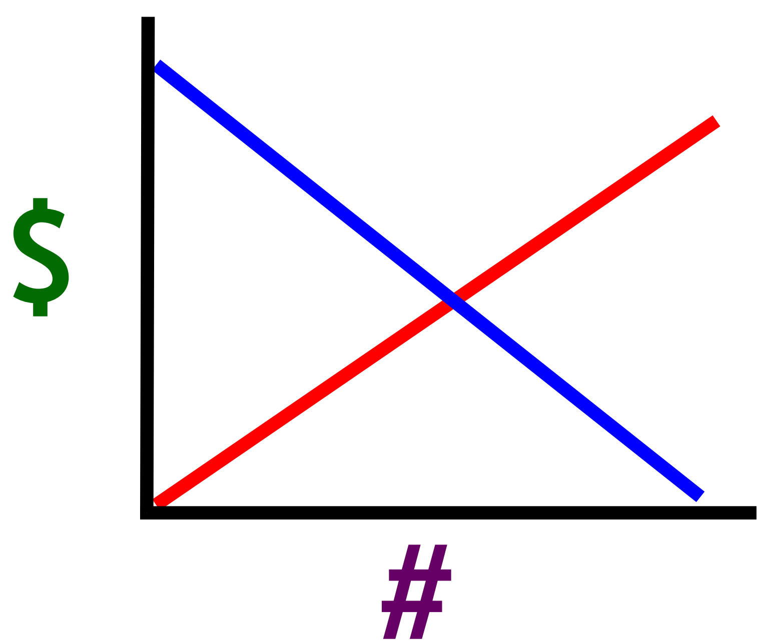
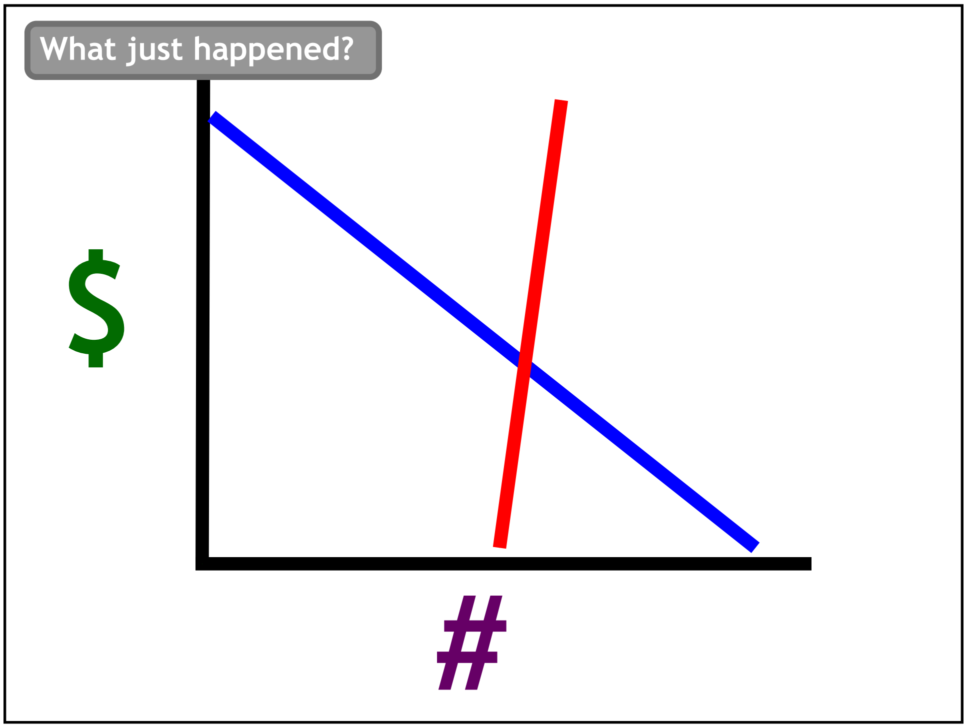
Why did I specify “small economies of scale”?

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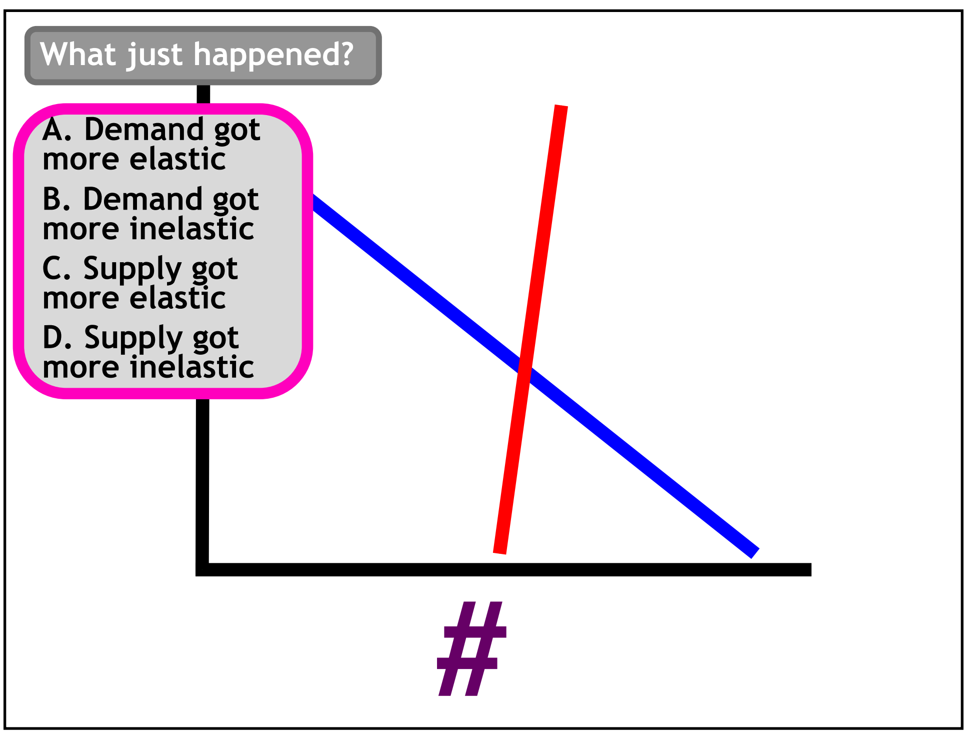
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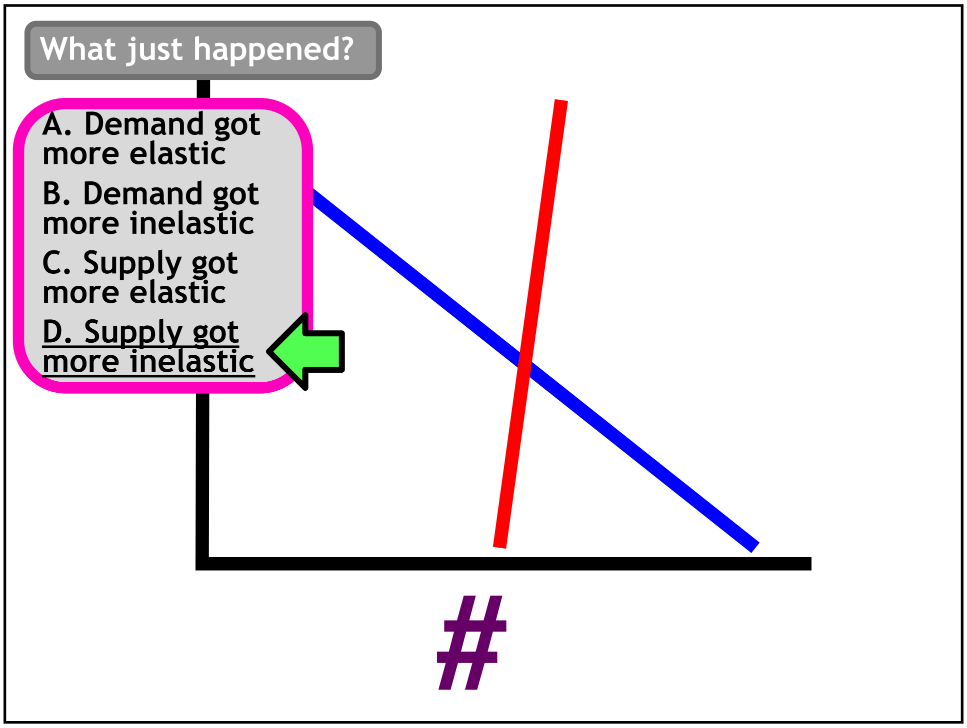
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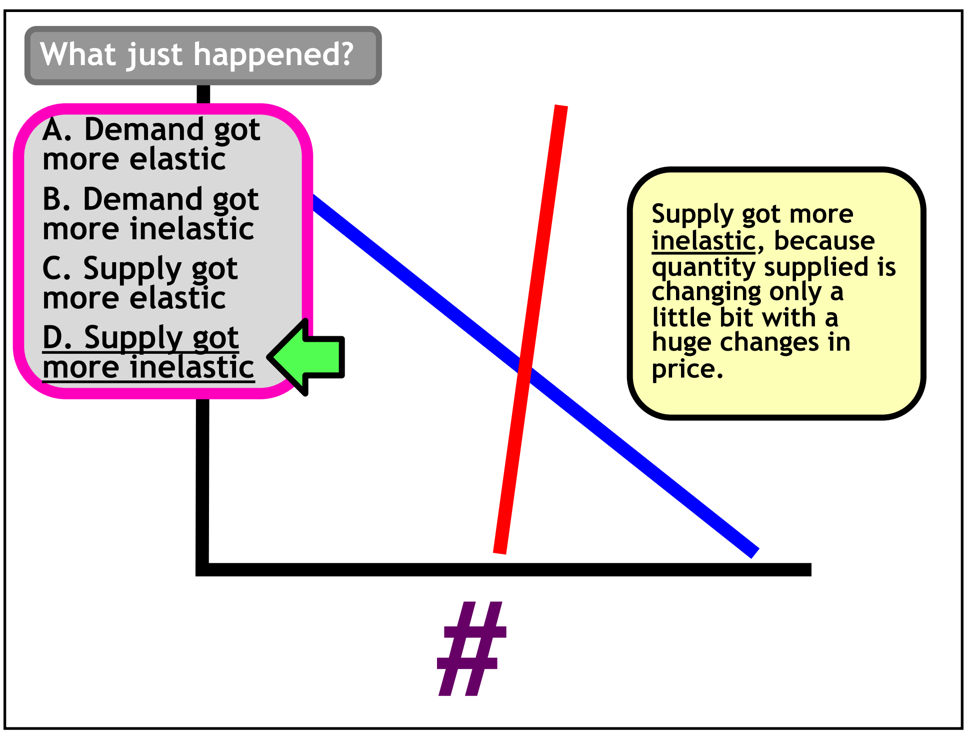
What just happened?
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Supply got more inelastic, because quantity supplied is changing only a little bit with a huge changes in price.
#