

ECON 370-001

Name: _____

Final Examination

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Instructions: All questions are weighted equally. Answer them perfectly.

1. An industry faces market demand of $Q = 2 - P$. This industry is characterized by a monopoly producer and a *separate* monopoly retailer. Assume that the producer creates the good with no marginal cost, and the retailer has no marginal cost beyond the price charged by the producer. What is the equilibrium price and quantity of the product? What is the deadweight loss? If the producer and the retailer merged, what would happen to price, quantity, and deadweight loss? In addition to your algebraic solution, clearly illustrate your answers with a graph or two.
2. Explain how betting markets generate information. What do you think the advantages and disadvantages of using betting markets for information are? Can you propose any novel uses of betting markets?
3. What problem do durable goods monopolists face? How can they solve the problem?
4. If patents did not exist, would innovation cease? What are some plausible alternatives to patents?
5. What, in your opinion, does antitrust law get right? What does it get wrong? Justify your answer.