Exercise walk-through

Introduction to Imperfectly Competitive Markets ▪ 4.1

eXercise

You must be able to

- define an **imperfectly competitive market 不完全竞争市场** and contrast it with perfect competition
- describe **monopoly 垄断**, **oligopoly 寡头**, **monopolistic competition 垄断竞争**, and **monopsony 买方垄断**
- explain the role of **barriers to entry 进入壁垒**
- explain why such firms face a **downward-sloping demand curve** and have **market power 市场势力**

Method — Imperfect competition

Firms have **market power** — some control over price — so each faces a **downward-sloping** demand curve (unlike a price-taking competitive firm).

Method — Four structures

- **Monopoly** — one seller.
- **Oligopoly** — a few interdependent sellers.
- **Monopolistic competition** — many sellers, differentiated products.
- **Monopsony** — a single **buyer** of a factor.

Method — Barriers to entry

Patents, high fixed costs, or control of a resource block entry, letting firms keep long-run economic profit.

Practice 2.1 ▪ 2 marks

State one difference between perfect and imperfect competition.

Solution 2.1

Method: Imperfect competition

Worked steps

a perfectly competitive firm is a price taker (horizontal demand); an imperfectly competitive firm has market power and a downward-sloping demand curve **B1** **B1**.

Practice 2.2 ▪ 2 marks

Name the four market structures listed above.

Solution 2.2

Method: Four structures

Worked steps

monopoly, oligopoly, monopolistic competition, monopsony **B1** **B1** *for two; for all four*.

Practice 2.3 ▪ 1 mark

State why barriers to entry matter for an imperfectly competitive firm.

Solution 2.3

Worked steps

they block entry, letting the firm keep economic profit in the long run B1.

Exam-style 3.1 ▪ 1 mark

An imperfectly competitive firm faces a demand curve that is

A horizontal

B downward-sloping

C vertical

D upward-sloping

Solution 3.1

Method: Imperfect competition

A horizontal

B downward-sloping ✓

C vertical

D upward-sloping

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

A market with a single seller is a

A monopoly

B oligopoly

C monopsony

D perfectly competitive market

Solution 3.2

Method: Four structures

A monopoly ✓

B oligopoly

C monopsony

D perfectly competitive market

Worked steps

A.

Exam-style 3.3 ▪ 1 mark

A firm is the only seller in its market and is protected by patents.

(a) Name the market structure.

(b) State what the patents act as.

(c) State what they allow the firm to keep in the long run.

Solution 3.3

Method: Barriers to entry

Worked steps

(a) a monopoly **B1**. (b) a barrier to entry **B1**. (c) long-run economic profit **B1**.