IGCSE ECONOMICS • EXERCISE SHEET

3.7 Types of markets

Name: ____________ Class: ________ Date: __________ **Total: 18 marks**

KEY WORDS competition 竞争 • barriers to entry 进入壁垒 • competitive markets 竞争市场 • monopoly 垄断 • types of markets 市场类型

Objective

Build the skills to answer exam questions on **types of markets 市场类型** — **competitive markets 竞争市场** and **monopoly 垄断**, and how each affects consumers and firms.

You must be able to:

- describe a competitive market and a monopoly
- explain **barriers to entry 进入壁垒**
- compare competition and monopoly for consumers and firms

1 Worked examples

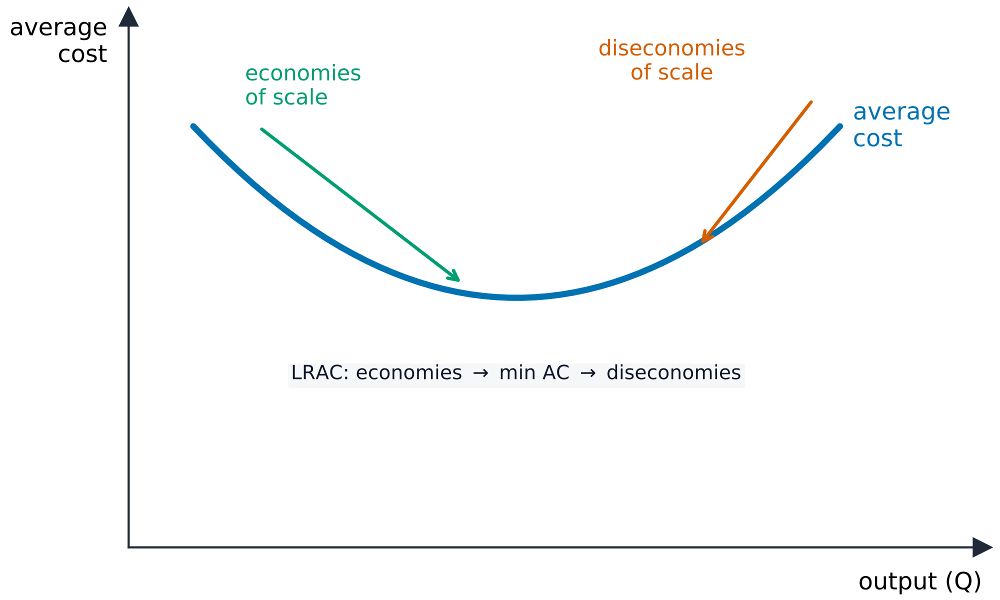
■ Competition versus monopoly

Markets differ by the number of firms and how easy it is to enter

- **Competitive market:** many firms, easy entry → low prices, high quality, wide choice (good for consumers; lower profit for firms).
- **Monopoly 垄断:** one firm, **barriers to entry 进入壁垒** (high start-up costs) →

high prices, less choice, little pressure to improve.

- **But** a monopoly may gain economies of scale and fund research.



A large firm's cost advantage from economies of scale is a barrier to entry that shapes the market

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *monopoly*. [2]

2.2 Define the term *barriers to entry*. [2]

2.3 State one benefit to consumers of a competitive market. [1]

3 Exam-style questions

3.1 In a competitive market, firms are most likely to: [1]

- **A** charge high prices and ignore quality
- **B** keep prices low and quality high
- **C** make very high profits easily
- **D** face no pressure to cut costs

3.2 Explain two reasons why a monopoly can charge high prices. [4]

3.3 Discuss whether a monopoly is always worse for consumers than a competitive market. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a market with only one firm, or one firm that controls most of it (2 for a clear definition; 1 for a partial idea).

2.2 things that make it hard for new firms to enter a market, such as high start-up costs (2 for a clear definition; 1 for a partial idea).

2.3 any one of: lower prices; wider choice; better quality (1).

3.1 B. In competition, firms keep prices low and quality high to win customers.

3.2 *[4]* For **each** of two reasons: K 1 + An 1 — *no competition*: buyers have no other firm to go to → they must pay the monopoly's price; *barriers to entry*: new firms cannot enter to undercut it → the monopoly can keep its price high.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **Worse for consumers:** a monopoly can charge high prices, offer less choice, and has little pressure to improve quality. **Not always:** a large monopoly may gain economies of scale (lower costs, which could mean lower prices) and use its profit to fund research and new products. **Judgement (Ev):** a monopoly is usually worse because of high prices and weak choice, but it can benefit consumers if economies of scale are passed on and it innovates — so it depends on the firm and whether the government regulates it.