eLearneconomics: Imperfect competition (1)

Student response ____________________

(a) Complete the table.

	Feature(s) or example	Perfect competition Monopolistic competitive Oligopoly Duopoly Monopolist (Monopoly) Monopsony
(i)	A single seller of a product with no close substitutes	
(ii)	There are more firms than oligopolistic industry	
(iii)	Hairdressers, plumbers, builders	
(iv)	Weak barriers to entry	
(v)	No barriers to entry	
(vi)	Carriers of tourists overseas in international air travel	
(vii)	Firms try and avoid price wars in these industries – e.g., brewing, cigarettes, banks	
(viii)	There are a few large firms, strong barriers to entry	
(ix)	Petrol industry worldwide	
(x)	Strong barriers to entry, e.g., very high capital cost, patents	
(xi)	Single buyer of a product	
(xii)	Too small to influence price, must accept the ruling market price	
(xiii)	Market dominated by a few sellers	
(xiv)	Firms faced a 'kinked' demand curve, differentiated product	

(b) With specific reference to motels, describe several of the main features of monopolistic competition.

eLearneconomics: Imperfect competition (1a)

Solutions

(a) Complete the table.

Feature(s) or example		Perfect competition Monopolistic competitive Oligopoly Duopoly Monopolist (Monopoly) Monopsony
(i)	A single seller of a product with no close substitutes	monopolist (monopoly)
(ii)	There are more firms than oligopolistic industry	monopolistic/perfect
(iii)	Hairdressers, plumbers, builders	monopolistic
(iv)	Weak barriers to entry	monopolistic
(v)	No barriers to entry	perfect competition
(vi)	Carriers of tourists overseas in international air travel	oligopoly
(vii)	Firms try and avoid price wars in these industries – e.g., brewing, cigarettes, banks	oligopoly
(viii)	There are a few large firms, strong barriers to entry	oligopoly
(ix)	Petrol industry worldwide	oligopoly
(x)	Strong barriers to entry, e.g., very high capital cost, patents	oligopoly/monopoly
(xi)	Single buyer of a product	monopsony
(xii)	Too small to influence price, must accept the ruling market price	perfect competition
(xiii)	Market dominated by a few sellers	oligopoly
(xiv)	Firms faced a 'kinked' demand curve, differentiated product	oligopoly

(b) With specific reference to motels, describe several of the main features of monopolistic competition.

- Many sellers in the market.
- There is a differentiated product, e.g., location, SKY TV, number of rooms, star ratings
- Motels have some control over their price, i.e., different rates.
- Weak barriers to entry. The costs of setting up as a motel are not extremely large.

eLearneconomics: Imperfect competition (2)

Student response ______________________________

(a) Complete the table below by showing the market structure in order of the number of firms in the market (from least to most). 'Perfect Competition' has been included for you.

Number of firms	Market Structure
One firm	
Two firms	
A few firms	
Many firms	
	Perfect competition

(b) Describe the main features of a monopolistic competitor and a monopolist.

(c) Explain why a monopolist is able to set either market price or market quantity, but not both.

eLearneconomics: Imperfect competition (2a)

Solutions

(a) Complete the table below by showing the market structure in order of the number of firms in the market (from least to most). 'Perfect Competition' has been included for you.

Number of firms	Market Structure
One firm	Monopoly (monopolist)/monopsony
Two firms	Duopoly
A few firms	Oligopoly
Many firms	Monopolistic competition
Many firms	Perfect competition

(b) Describe the main features of a monopolistic competitor and a monopolist.

Monopolistic competition has a large number of firms, close substitutes, differentiated product, limited control over price, weak barriers to entry.

A monopilist is where there is one seller, no close substitutes, price maker, control over quantity sold, strong barriers to entry.

(c) Explain why a monopolist is able to set either market price or market quantity, but not both.

A monopolist can set either price or quantity but not both. If the monopolist sets the price the market will determine the quantity sold. If the monopolist determines the quantity then the market will determine the price. The monopolist has control over either price or quantity produced, but not over both at the same time.