AP MICROECONOMICS • EXERCISE SHEET

4.1 Introduction to Imperfectly Competitive Markets

Name: ____________ Class: ________ Date: __________ **Total: 10 marks**

KEY WORDS imperfectly competitive 不完全竞争 • monopoly 垄断 • monopsony 买方垄断 • oligopoly 寡头 • barriers to entry 进入壁垒

Objective

Build the skills to answer exam questions on **imperfectly competitive markets**.

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

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Imperfect competition

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

■ Four structures

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

■ Barriers to entry

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

2 Practice

2.1 State one difference between perfect and imperfect competition. [2]

2.2 Name the four market structures listed above. [2]

2.3 State why barriers to entry matter for an imperfectly competitive firm. [1]

3 Exam-style questions

3.1 An imperfectly competitive firm faces a demand curve that is [1]

- **A** horizontal
- **B** downward-sloping
- **C** vertical
- **D** upward-sloping

3.2 A market with a single seller is a [1]

- **A** monopoly
- **B** oligopoly
- **C** monopsony
- **D** perfectly competitive market

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

(a) Name the market structure. [1]

(b) State what the patents act as. [1]

(c) State what they allow the firm to keep in the long run. [1]

Solutions

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

2.2 monopoly, oligopoly, monopolistic competition, monopsony.

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

3.1 **B**.

3.2 **A**.

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