AP MICROECONOMICS • HOLIDAY HOMEWORK 假期作业

4 Market power and monopoly – Part 1

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)
market power	市场势力	
monopoly	垄断	
barriers to entry	进入壁垒	
deadweight loss	无谓损失	

Recall

Not every market has lots of small firms:

- Some products come from just one company, or a few big ones.
- A single seller can charge a higher price than a competitive market.
- Firms with power behave differently from price-takers.

This sheet lines up monopoly. Each idea has a worked example.

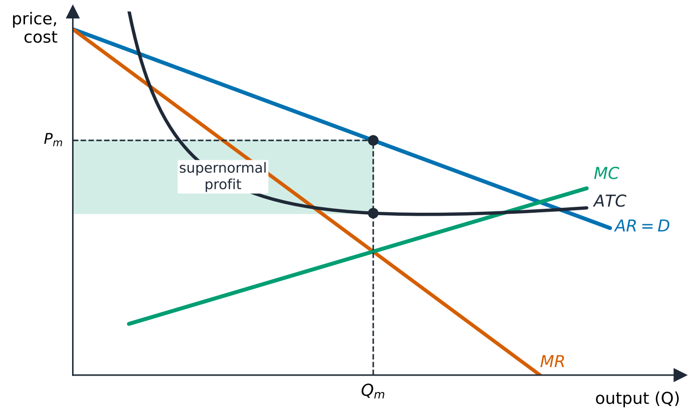
New ideas

1 Market power

Most real markets are **imperfectly competitive** – firms have some **market power** 市场势力 (the ability to set the price, not just take it).

2 Monopoly

A **monopoly** 垄断 is a single seller with no close substitutes, protected by **barriers to entry** 进入壁垒 (patents, control of a resource, or huge economies of scale).



3 Less output, higher price

Compared with perfect competition, a monopoly produces **less** and charges **more**, and it can keep earning profit because entry is blocked.

4 Deadweight loss

Because it under-produces, a monopoly creates **deadweight loss** 无谓损失 – mutually beneficial trades that no longer happen. This is why monopolies are seen as inefficient.

Watch out: a monopoly cannot charge **any** price it likes – it is still limited by the demand curve. Charge too much and buyers walk away; it picks the price that maximizes profit, not the highest possible price.

Practice

Try these in order. The methods are all above.

2.1 State what "market power" means. [1]

2.2 State what a monopoly is and give one barrier to entry that protects it. [2]

2.3 Compared with perfect competition, state what a monopoly does to output and price. [2]

2.4 Explain what deadweight loss is. [2]

2.5 Explain why a monopoly still cannot charge an unlimited price. [2]