

5.1 Business competition, the labour market and government intervention

Name: _____ Class: _____ Date: _____

Total: 23 marks

KEY WORDS monopoly • minimum wage

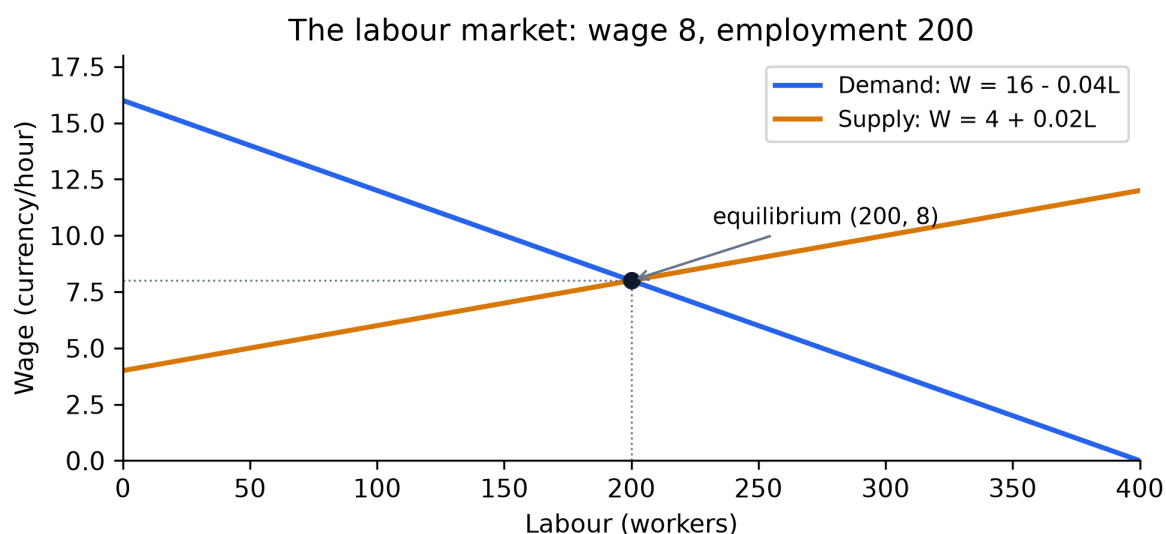
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Objective

Distinguish market structures with the models, apply labour-market equilibrium and shifts, and evaluate the five intervention policies (spec 1.2.4–1.2.6).

1 Key knowledge and worked examples

Structures and intervention. Competition brings efficiency, choice, quality, innovation, lower prices. Monopoly: one dominant firm, price-maker, barriers – model output 40 at price 50 with profit $(50 - 30) \times 40 = 800$. Oligopoly: few large firms, collusion and price wars. Labour market: $S W = 4 + 0.02L$, $D W = 16 - 0.04L$, equilibrium (200, 8); minimum wage 9 → Ld 175 vs Ls 250, 75 unemployed. Intervention: taxation, subsidies, fines, regulation, pollution permits.



Original model; the equilibrium and shifts are worked in the questions.

2 Practice

2.1 State any three advantages of competition to consumers. [2]

2.2 Define monopoly and name any three of its five barriers to entry. [2]

2.3 Define oligopoly and name one feature that separates it from perfect competition. [2]

2.4 Solve the labour model's equilibrium wage and employment. [3]

2.5 Name any four of the eight factors affecting labour supply. [2]

3 Exam-style questions

3.1 (*Original.*) In the labour market S: $W = 4 + 0.02L$ and D: $W = 16 - 0.04L$, the government sets a minimum wage of 9. Calculate the labour demanded and supplied, and the unemployment created. [4]

3.2 (*Original.*) On the monopoly model AR: $P = 70 - Q/2$, MR: $P = 70 - Q$, MC: $P = 10 + Q/2$ with $ATC = 30$ at the profit-maximising output: find the output and price, and calculate the supernormal profit. [4]

3.3 (*Original.*) Explain one advantage and one disadvantage of using a pollution permit scheme rather than a pollution tax. [4]
