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

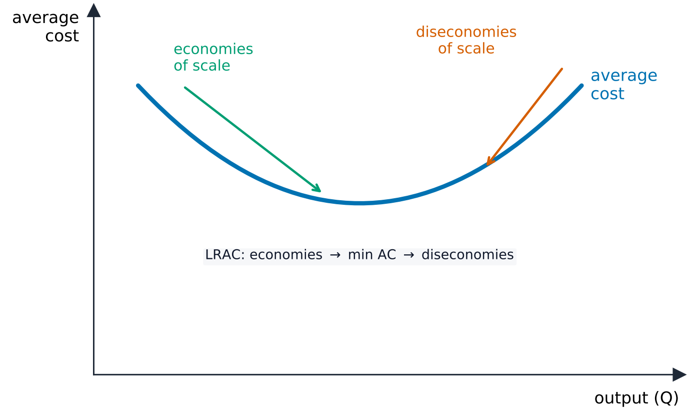
1 Worked examples

■ **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 B
C D

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]