

## Section 1: Guided Reading and Review

# Perfect Competition



### A. As You Read

As you read Section 1, supply the missing cause or effect in the spaces provided.

The Perfect Market Structure	
<p>1. Cause: _____ _____</p>	<p>1. Effect: The market determines price without influence from suppliers or consumers.</p>
<p>2. Cause: _____ _____</p>	<p>2. Effect: Identical products are key to perfect competition.</p>
<p>3. Cause: Entrepreneurs are less likely to enter a market with high start-up costs.</p>	<p>3. Effect: _____ _____</p>
<p>4. Cause: Sometimes firms cannot make enough to stay in business.</p>	<p>4. Effect: _____ _____</p>
<p>5. Cause: _____ _____</p>	<p>5. Effect: Prices are forced down to the point where they just cover the seller's costs of doing business.</p>
<p>6. Cause: _____ _____</p>	<p>6. Effect: Producers adjust their output decisions based on their most efficient use of available land, labor, and capital.</p>

### B. Reviewing Key Terms

Briefly define or identify each of the following.

7. perfect competition \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. commodity \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. barrier to entry \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
10. start-up costs \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## Section 2: Guided Reading and Review

# Monopoly

### A. As You Read

As you read Section 2, supply the missing information in the spaces provided.

#### In the Monopolist Market

##### Natural Monopolies

1. Why they exist \_\_\_\_\_  
\_\_\_\_\_
2. Two examples \_\_\_\_\_  
\_\_\_\_\_
3. Advantage of \_\_\_\_\_  
\_\_\_\_\_
4. Government role in \_\_\_\_\_  
\_\_\_\_\_

##### Government Monopolies

5. Type set up by patents  
\_\_\_\_\_
6. Why government grants patented monopolies  
\_\_\_\_\_
7. Example of an industrial monopoly  
\_\_\_\_\_
8. Two examples of government monopolies by license  
\_\_\_\_\_

#### Production and Pricing

9. Effect of a monopolist's price increase  
\_\_\_\_\_  
\_\_\_\_\_
10. Relationship between price and marginal revenue when a monopolist cuts the price to sell more  
\_\_\_\_\_  
\_\_\_\_\_
11. How a monopolist maximizes profits  
\_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank.

12. In a market with only one seller, that seller has a \_\_\_\_\_.
13. Characteristics that cause a producer's average cost to drop as production rises are \_\_\_\_\_.
14. A contract issued by a local authority that gives a single firm the right to sell its goods within an exclusive market is a \_\_\_\_\_.
15. A monopoly offering targeted discounts is practicing \_\_\_\_\_.

## Section 3: Guided Reading and Review

# Monopolistic Competition and Oligopoly



### A. As You Read

As you read Section 3, fill in the information requested on the charts.

Monopolistic Competition Market Structures	
<b>Defining Conditions</b>	1. _____ 2. _____ 3. _____ 4. _____
<b>Forms of Nonprice Competition</b>	5. _____ 6. _____ 7. _____ 8. _____
<b>Price-Output Relationship</b>	9. _____
<b>Curbs on High Profits</b>	10. _____ 11. _____
<b>Consumer Advantages</b>	12. _____
Oligopoly	
<b>Conditions Encouraging Formation</b>	13. _____ 14. _____ 15. _____
<b>Practices that Concern Government</b>	16. _____ 17. _____ 18. _____

### B. Reviewing Key Terms

Read the statements below. In the space provided, write T if the statement is true or F if it is false.

- \_\_\_\_\_ 19. Firms selling identical products create *monopolistic competition*.
- \_\_\_\_\_ 20. Providing better customer service, introducing a new lipstick color, and sophisticated advertising are examples of *nonprice competition*.
- \_\_\_\_\_ 21. *Price fixing* is an outcome of collusion.
- \_\_\_\_\_ 22. A *cartel* is most successful when each member produces as much product as possible.

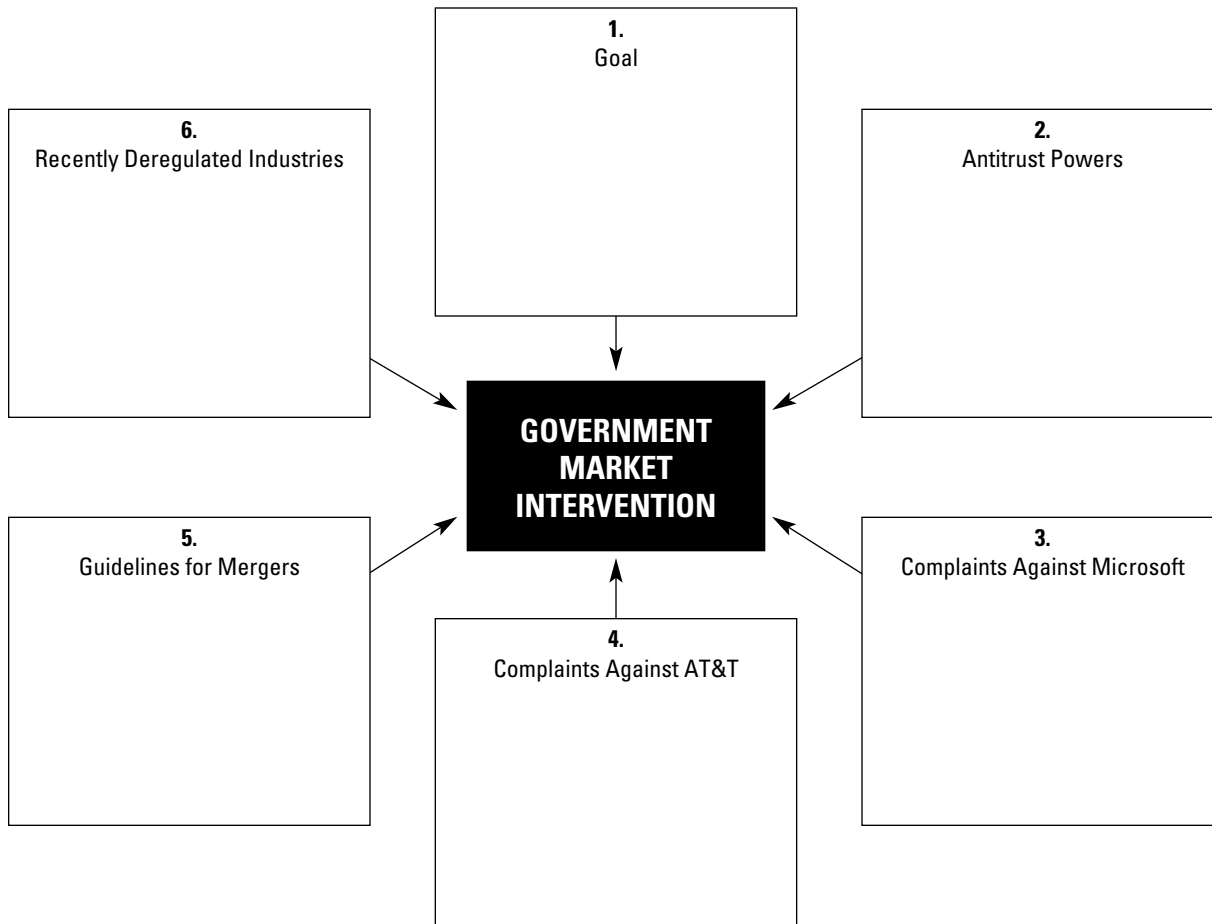


## Section 4: Guided Reading and Review

# Regulation and Deregulation

### A. As You Read

As you read Section 4, supply the missing information about government market intervention in the numbered web boxes.



### B. Reviewing Key Terms

Use a key term to rewrite each sentence correctly.

7. *Price fixing* is the practice of setting the market price below cost for the short term to drive competitors out of business. \_\_\_\_\_  
\_\_\_\_\_
8. A *monopoly* occurs when a company joins with another company to form a single firm.  
\_\_\_\_\_  
\_\_\_\_\_
9. *Perfect competition* means that the government no longer decides a company's market role and pricing. \_\_\_\_\_  
\_\_\_\_\_