



Section 3: Quiz

Monopolistic Competition and Oligopoly

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. many companies in an open market selling similar products
- _____ 2. a market structure dominated by a few large, profitable firms
- _____ 3. an agreement among firms to sell at the same or very similar prices
- _____ 4. a formal organization of producers that agree to coordinate prices and production

Column II

- a. cartel
- b. oligopoly
- c. price fixing
- d. monopolistic competition

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 5. If two shops sell the same merchandise but one offers a higher level of service, the service distinction is a form of
 - a. price fixing.
 - b. nonprice competition.
 - c. choice among substitute products.
 - d. local competition.
- _____ 6. An agreement among members of an oligopoly to set prices and production levels is called
 - a. price leadership.
 - b. competition.
 - c. collusion.
 - d. imperfect monopoly.
- _____ 7. A major characteristic of monopolistic competition is that prices will be
 - a. higher than in perfect competition.
 - b. lower than in perfect competition.
 - c. higher than in a true monopoly.
 - d. unrelated to the type of competition.
- _____ 8. In monopolistic competition, profits well in excess of costs are unlikely because
 - a. nonprice competition only works for the short term.
 - b. customers always return to the product that is least expensive, even if the quality of that product is much lower.
 - c. excess output can be maintained only for short periods.
 - d. established rivals and new firms would lure customers away with slightly different and/or cheaper products.
- _____ 9. A cartel is able to survive only if
 - a. government regulations permit it.
 - b. every member keeps to the agreed output levels.
 - c. members are scrupulous about where they sell goods.
 - d. members use advertising to differentiate their goods.
- _____ 10. The main difference between perfect competition and monopolistic competition is that
 - a. in perfect competition the prices are set by the government.
 - b. in perfect competition the buyer is free to buy from any seller he or she chooses.
 - c. in monopolistic competition there are fewer sellers and more buyers.
 - d. in monopolistic competition sellers can profit from the differences between their products and other products.