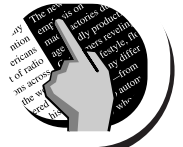


## Section 1: Guided Reading and Review

# 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 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_