

## 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 \_\_\_\_\_.