

# GUIDED READING Activity 9-1

For use with the textbook pages 233–237

## **S**TARTING A BUSINESS

### **OUTLINING**

**Directions:** Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

**I.** Market Structure

**A.** What is a market structure? \_\_\_\_\_

**B.** What are the four basic market structures in the American economy?  
\_\_\_\_\_

**II.** Conditions of Perfect Competition

**A.** Introduction

**1.** What is perfect competition?  
\_\_\_\_\_

**2.** What are the five conditions that must exist for perfect competition?  
\_\_\_\_\_

**B.** No Control Over Price

**1.** When the conditions of perfect condition are working, what controls the price of goods and services?  
\_\_\_\_\_

**2.** In a perfectly competitive market, what is the market price?  
\_\_\_\_\_

**C.** Information Is Key—How has the Internet changed availability to information?  
\_\_\_\_\_

**III.** Agriculture as an Example

**A.** Introduction—In the United States, what industry comes close to perfect competition?  
\_\_\_\_\_

**B.** No Control Over Wheat Prices—Where is the equilibrium price of wheat set?  
\_\_\_\_\_

**C.** Unique Situation—Why is the supply of most agricultural markets unique?  
\_\_\_\_\_

**IV.** Benefits to Society—Why are perfectly competitive industries so efficient?  
\_\_\_\_\_

# GUIDED READING Activity 9-2

For use with the textbook pages 239–246

## MONOPOLY, OLIGOPOLY, AND MONOPOLISTIC COMPETITION

### FILLING IN THE BLANKS

**Directions:** Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once.

market price	barriers to entry	competition
copyright	oligopoly	monopoly
nonprice competition	cartel	patent
product differentiation	monopolistic competition	government
economies of scale		

#### Imperfect Competition

Perfect **1** \_\_\_\_\_ is the ideal type of market structure. However, most market structures represent imperfect competition. There are three types: **2** \_\_\_\_\_, oligopoly, and **3** \_\_\_\_\_.

#### Monopoly

The most extreme example of imperfect competition is the pure **4** \_\_\_\_\_, in which a single seller controls the supply of the goods and services. Characteristics of a monopoly include a single seller, no substitutes, no entry, and almost complete control of **5** \_\_\_\_\_. A monopoly is protected by **6** \_\_\_\_\_—obstacles that prevent others from entering the market. There are four types of monopolies: natural, geographical, technological, and **7** \_\_\_\_\_. The large size of most natural monopolies seem to give a company **8** \_\_\_\_\_—in which it can produce the largest amount for the lowest cost. A government **9** \_\_\_\_\_ gives one exclusive rights to manufacture, rent, or sell an invention for a specific period of time. A **10** \_\_\_\_\_ helps protect art, literature, song lyrics, and other works for 50 years.

#### Oligopoly

An **11** \_\_\_\_\_ is an industry dominated by several suppliers who exercise some control over the price. An oligopoly engages in **12** \_\_\_\_\_ in which advertising emphasizes minor differences and tries to build customer loyalty. **13** \_\_\_\_\_ is the real or perceived differences in the good or service that make it more valuable in the customer's opinion. An international form of collusion is the **14** \_\_\_\_\_, in which businesses from different countries try to reduce international competition by controlling prices, productions, and distribution.

#### Monopolistic Competition

The most common form of market structure in the United States is **15** \_\_\_\_\_, where a large number of sellers offer similar but slightly different products.

# GUIDED READING Activity 9-3

For use with textbook pages 248–253

## **G**OVERNMENT POLICIES TOWARD COMPETITION

### **RECALLING THE FACTS**

*Directions:* Use the information in your textbook to answer the questions.

- 1. What are interlocking directorates?  
\_\_\_\_\_  
\_\_\_\_\_
  
- 2. Why is the Sherman Antitrust Act important?  
\_\_\_\_\_
  
- 3. What is antitrust legislation?  
\_\_\_\_\_
  
- 4. What is the purpose of the Clayton Act?  
\_\_\_\_\_  
\_\_\_\_\_
  
- 5. What subjective decision must the federal government make related to the Clayton Act?  
\_\_\_\_\_  
\_\_\_\_\_
  
- 6. What are horizontal and vertical mergers?
  - a. horizontal merger:  
\_\_\_\_\_
  - b. vertical merger:  
\_\_\_\_\_
  
- 7. How is a conglomerate merger different than other mergers?  
\_\_\_\_\_
  
- 8. Why did the government begin to deregulate business activity in 1980s and 1990s?  
\_\_\_\_\_  
\_\_\_\_\_