

# What are Market Structures?

## Worksheet

Market structures classify markets by the number of firms, product differentiation, and entry barriers — the four main types are perfect competition, monopolistic competition, oligopoly, and monopoly.

## Questions

1. Which structure has zero economic profit in long-run equilibrium?  
A) Monopoly  
B) Perfect competition  
C) Oligopoly  
D) Monopolistic competition
2. Example of a monopoly:  
A) Wheat farming  
B) Taxi services in a city  
C) Utility company with exclusive license  
D) Grocery stores
3. Barrier to entry is highest in:  
A) Perfect competition  
B) Monopolistic competition  
C) Oligopoly  
D) Monopoly
4. Oligopoly is characterized by:  
A) Many firms  
B) Few firms with interdependence  
C) One firm  
D) Perfect competition
5. Farmer's corn market has 10,000 sellers, identical corn, zero barriers. What structure?
6. The local electricity utility is the only power provider with government license. Structure?
7. Phone service has 3–4 major carriers, differentiated services, high startup costs. Structure?
8. Define: What are the four market structures?
9. Define: Which structure has the most firms?
10. Define: Which structure has pricing power?

## Answer Key

1. B) Perfect competition — Perfect competition: free entry drives long-run profit to zero.
2. C) Utility company with exclusive license — Utilities often have government-granted monopolies; others are competitive.
3. D) Monopoly — Monopoly has the highest barriers (patents, economies of scale, legal rights).
4. B) Few firms with interdependence — Oligopolies have few firms; each firm's actions affect others.
5. Many firms, identical products, free entry = Perfect Competition.
6. One firm, unique service, legal barrier to entry = Monopoly.
7. Few firms, differentiated products, high barriers = Oligopoly.
8. Perfect competition, monopolistic competition, oligopoly, and monopoly.
9. Perfect competition — many firms, identical products, zero barriers.
10. Monopoly and oligopoly — few firms give pricing power.

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