**RWS #14: Pure Monopoly Model**

**Due for w/b 16th October 2017**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two to three weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.25 to 3 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next 45m-1.5hrs reading the compulsory resources and any extra information or clarifying concepts if you do not understand them. Then use the final 30-45 minutes to edit the work, make it look pretty and print it off.*  *When you hand in these revision worksheets, they are not speculative attempts to see if you understand the material; I am expecting you to have spent the time in and out of the classroom learning it. Thereforeo make use of the extra support available to you: (1) emails to Olly to seek clarification on specific points (2) Economics lunchtime workshop drop ins on Mondays, Wednesdays and Fridays in room 206 (3) 1-2-1 15 minute slot outside of lessons.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **Compulsory**   1. **TEXTBOOK (see GOL Library Page to download for free or buy online - £20-25):** pp 66-72 (possibly skim read through or look at areas you are unsure of…through the worksheets and class discussions we have covered the material in the textbook). 2. **NOTES:** Class and PREP homework notes (in your bag!) including department worksheets issued in class (available on GOL). Remember to include the PREP work as well! This is important for context and case studies. 3. **POWERPOINT:** See the powerpoint slides on GOL for access to my notes.   **EXTENSION (IF YOU HAVE TIME, TRY TO READ OR WATCH THESE)**   1. Recommended Websites:    1. Economics Help Website    2. Tutor2U Website 2. Other specific resources?   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **TITLE: RWS 14: *Pure Monopoly Model***  **(1) Introduction to Monopoly and Monopoly Power (1/4 side of A4)**   1. What is the difference between a firm in an industry with ‘pure monopoly’ and ‘monopoly power’…use the concept of ‘concentration ratios’ to explain your answer and provide examples for each. 2. Monopolies derive their market power (price maker) from significant ‘barriers to entry’. Explain what barriers to entry are using specific examples. 3. Explain why the industry revenue curves are downward sloping. Also explain why the monopoly firm revenue curves are the same as the industry. Finally, explain why the demand curve (or AR curve) is NOT perfectly inelastic?   **(2) The Monopoly Model and Efficiency** **(3/4 a side of A4)**   1. Draw the monopoly model diagram and show where a monopolist will produce (profit maximisation point). Explain why this is both allocatively and productively inefficient. 2. Draw a second monopoly model diagram with the profit maximisation point and then draw a second price and quantity to show where the monopoly would be allocatively and productively efficient (HINT: Draw the AC curve so that it’s lowest point is equal to the AR). Explain from this diagram, why a monopoly is therefore considered to be a market failure. 3. Draw three further monopoly diagrams: one showing a loss, one showing normal profit and one showing abnormal profit. 4. What is dynamic efficiency and using an example, explain why monopoly firms might be dynamically efficient and what positive effects this might have.   **(3) Evaluating Market Structure: Welfare (1/2 a side of A4)**   1. Define the concepts of consumer and producer surplus using a supply and demand diagram 2. Draw another supply and demand diagram to demonstrate what would happen if a monopoly firm reduced supply and raised the price by showing the ‘deadweight loss’. Define the ‘deadweight loss’ 3. Define price discrimination in general and then 1st, 2nd and 3rd degree using an example for each. Explain, what the conditions that must exist for the monopolist to benefit from price discrimination? 4. Evaluate whether price discrimination is a positive or negative force for society. Draw up a table perhaps for the advantages and disadvantages and write a brief conclusion at the end.   **(4) Comparing Perfect Competition and Monopoly Models (1/2 a side of A4)**   1. Draw two separate profit maximisation models for the perfectly competitive firm and the monopoly firm 2. Evaluate perfect competition and monopoly using the table below and by referring to the models you have drawn where appropriate (do not have to draw them again!) and any real life examples you can include.  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  |  | **Perfectly Competitive Market** | | **Pure Monopoly Market** | | |  |  | Yes | No | Yes | No | | Static Efficiency | Allocative Efficiency |  |  |  |  | | Productive Efficiency |  |  |  |  | | Dynamic Efficiency | Technical Efficiency |  |  |  |  | |

**REMEMBER YOU NEED TO SUMMARISE THESE SUB-TITLES onto only 1 A4 PIECE OF PAPER (double sided – please use all available space; aim for narrow margins and make sure your fonts are not too big)**

**PLEASE DO NOT LEAVE THIS TILL THE LAST MINUTE. START IT EARLY AND THEN YOU CAN SEE ME IF THERE ARE ANY PROBLEMS**