

Short Answer Questions

Chapter 16.

1. Outline the main characteristics of a monopolistically competitive market structure.
2. A monopolistic market is not the same as a monopoly. What does the word 'monopolistic' mean in this context therefore?
3. Can a firm in monopolistic competition make abnormal profits in the long run? Explain your answer using appropriate answers.
4. Why, compared to a firm in perfect competition, does a firm in monopolistic competition produce at less than the efficient scale?
5. Using examples, outline some of the ways a firm in monopolistic competition might seek to differentiate its product from rivals.
6. Why are firms in monopolistic competition able to have a mark-up over price?
7. Explain the meaning of the terms product variety and business stealing externalities.
8. Is the purpose of advertising simply to increase sales? Explain your answer using appropriate examples.
9. Outline two economic criticisms and two benefits of advertising.
10. Using examples, explain the meaning and purpose of branding.