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## Economics Textbook Chapter 9

1. What are the three basic market questions?

a) What to produce?

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b) How to produce?

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c) Who is the consumer?

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2. With the exception of a monopoly – in which there is only one supplier of a product or service – **who** has more control over prices, the people who make the product or the people who buy it? Explain.

Monopoly: This is a market where there is only one seller and many buyers of a unique product with no close substitutes. In this market, the seller has the most control over prices, as it can set the price at any level it wants, subject to the demand curve. The seller is a price maker, meaning that it determines the market price by choosing its output level. The buyers have no control over prices, as they have to accept the price set by the seller or go without the product.

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3. DeBeers has owned 85% of raw diamond mines worldwide, making it difficult for new diamond suppliers to enter the diamond market. Is this a natural barrier to entry or an artificial barrier to entry?

DeBeers' ownership of raw diamond mines is a combination of natural and artificial barriers to entry that has made it difficult for new diamond suppliers to enter the market. I hope this helps you understand the difference between natural and artificial barriers to entry.

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4. What happens when a company in a perfect competition situation raises its prices?

In a perfect competition situation, a company has no control over the market price of its product. It is a price taker, meaning that it must accept the equilibrium price determined by the forces of supply and demand

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5. What happens when a company in a monopoly situation raises its prices?

When a company in a monopoly situation raises its prices, it will affect its output, revenue, and profit.

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6. Would a handful of lithium producers, which control all the lithium known on earth, be an example of an oligopoly or a monopoly?

An oligopoly is a market structure where a few large firms dominate the industry and have significant influence over the price and output of the product. A monopoly is a market structure where there is only one firm that controls the entire market and has the power to set the price and output of the product.

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7. What is the major benefit of competition among producers?

The major benefit of competition among producers is that it leads to lower prices, higher quality, more variety, and more innovation for consumers and society.

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8. What has the government passed anti-trust laws? What are these laws meant to discourage?

Antitrust laws are regulations that aim to protect and promote fair competition in the market. They prevent businesses from engaging in practices that may harm consumers or other competitors, such as forming monopolies, fixing prices, or rigging bids

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