

# Market Structures - Oligopoly

## Question 1

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2. *Cadbury, Mars and Nestlé dominate the chocolate industry in the European Union.*

- (a) (i) State a market structure which most closely reflects the situation above, giving a reason for your answer.  
 (ii) Outline **two** other key characteristics of this market structure.  
 (iii) Explain, with the aid of a labelled diagram, the likely shape of the demand curve in this market structure.

[35]

- (b) (i) If a large US chocolate manufacturer entered the EU chocolate market, outline the possible economic impacts of greater competition in this market.  
 (ii) Outline **two** factors which could make it difficult for this US chocolate manufacturer to enter the EU chocolate market.

[25]

- (c) Explain why small firms succeed in some markets while other markets are dominated by large firms.

[15]

[75 marks]

## Question 2

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4. *A high concentration ratio is a key feature of an Oligopolistic Market.*

- (a) Explain this statement and give **one** example.

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- (b) Outline two ways oligopolists behave in the market:

(i) \_\_\_\_\_

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(ii) \_\_\_\_\_

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(16 marks)

### Question 3

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4. (a) Collusion may be a feature of an oligopolistic market. Explain what is meant by 'collusion'.
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- (b) Collusive practices may be undermined by price wars. Outline **two** benefits of price wars for the consumer.
- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_
- (16 marks)**

### Question 4

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2. (a) *Some Telecoms' analysts believe the main mobile operators in Ireland – Vodafone, O2, Meteor and 3 – control an oligopoly and have little reason to make the market really competitive.* *(The Irish Times, November, 2010)*
- (i) Outline **three** key features of an oligopolistic market.
- Firms in an oligopolistic market may have objectives other than profit maximisation.
- (ii) Outline **two** objectives firms in oligopoly may have, other than achieving the maximum level of profits. (25)
- (b) Using **one** clearly labelled diagram:
- (i) Explain the shape of the 'kinked' demand curve facing a firm in oligopoly.
- (ii) Explain the long run equilibrium position of this firm. (25)
- (c) It is suggested that consumers prefer price competition in the market place, yet there are benefits for consumers arising from non-price competition.
- (i) Explain **two** reasons why consumers may prefer price competition.
- (ii) Describe **two** benefits to consumers of non-price competition. (25)
- [75 marks]**

## Question 5

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2. (a) State and explain **THREE** key features of an **oligopolistic market**. *(15 marks)*
- (b) With the aid of **ONE** clearly labelled diagram:
- (i) Explain the shape of the 'kinked demand curve' under oligopoly.
  - (ii) Explain the long run equilibrium position of a firm facing a 'kinked demand curve'.
  - (iii) Explain what is meant by the term 'rigidity of prices' under a 'kinked demand curve'. *(35 marks)*
- (c) (i) Explain **THREE** types of collusion which may occur in an oligopolistic market.
- (ii) Do you believe that the Irish retail market for banking services (e.g. personal current accounts.) operates under oligopolistic conditions? Explain your answer. *(25 marks)*
- [75 marks]**