

Understanding Basic Economics

1. In most societies, resources are allocated by

- The combined actions of millions of households and firms.

2. A good is considered scarce in a society when

- Everyone in that society cannot have all they want of the good

3. How are oligopoly and monopolistic competition alike and how are they different?

- The similarities between oligopoly and monopoly competition are:
 1. They both exhibit imperfect competition in that oligopoly has few sellers while monopoly has many sellers.
 2. Firms have some level of control over prices in both competitive structures.
- The major differences between the two include:
 1. In monopolistic competitive structures the products and services are highly differentiated as compared to oligopoly competitive structures.
 2. In oligopoly competition, the market is dominated by a few large entities while in a monopoly competition the market comprises many small entities. For example the wireless communication industry in the U.S. has a number of entities but only a few dominate the market exhibiting an oligopoly competitive structure.
 3. In oligopoly competition, there are higher barriers to entry while in monopolistic competition the market offers some freedom to entry or exit. For example, in an oligopoly, the barrier to entry may be presented through the government where policies are enacted to limit the number of entities in that particular industry.