

3.1 Oligopoly Long Questions

1999 Q2

- (a) What is meant by an oligopolistic market?
Give **TWO** examples of industries considered oligopolist in Ireland. (20 marks)
- (b) (i) Explain with the aid of a diagram the shape of the demand curve of a firm in oligopolistic competition.
(ii) Hence, explain what is meant by the term 'Rigidity of Prices'. (30 marks)
- (c) (i) Distinguish between price competition and non-price competition.
(ii) Which form of competition do you consider to be better for the buyer?
Give **TWO** reasons for your answer. (25 marks)

2003 Q1

- (a) Outline **THREE** key features of an oligopolistic market and state **ONE** example of an oligopolistic market in Ireland. (20 marks)
- (b) With the aid of **ONE** clearly labelled diagram:
(i) Explain the shape of the demand curve facing a firm in oligopoly.
(ii) Explain the relationship between this demand curve and the firm's marginal revenue curve.
(iii) Explain the long run equilibrium position of this firm. (40 marks)
- (c) Explain **THREE** methods by which firms in oligopolistic markets may collude. (15 marks)
- [75marks]

2006 Q2

- (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]

2011 Q2

- (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]

2014 Q2

- (c) "A few large retailers (e.g. Tesco, SuperValu, Dunnes Stores, Aldi, Lidl) dominate the Irish grocery market at present."

Suggest a market structure which most closely reflects this situation. Explain your answer.

(20)

2016 Q2

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]

2018 Q2

- (a)** *An oligopoly is a market structure in which a few firms dominate the market.*
- (i) Describe how firms in this market structure compete with each other.
 - (ii) Discuss the advantages and disadvantages of oligopoly as a market structure. [30]
- (b)**
- (i) Explain, using a clearly labelled diagram, the long-run equilibrium of a firm operating under oligopoly conditions.
 - (ii) With reference to the 'kinked' demand curve drawn in part (i) above, explain the rationale for '**price rigidity**'. [25]
- (c)** *'Motor insurance providers in Ireland targeted in anti-cartel inquiry.'*
(Source: *The Irish Times*, July 2017)
- (i) Explain the likely effects on consumers if collusion (e.g. cartel agreement) existed in the motor insurance industry.
 - (ii) Suggest **two** measures the government could consider to discourage anti-competitive practices in industry. Explain your answer. [20]