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https://www.100test.com/kao_ti2020/129/2021_2022_2007_E5_B9_B4_E8_81_8C_c91_129987.htm 第四篇 Perfect Competition

Perfect competition exists in an industry that contains many relatively small firms producing identical products. The most important characteristic (特征) of a perfectly competitive industry is that no single firm has any control over prices. This important characteristic follows from two assumptions (假设). First, a competitive industry is composed of many firms, each being very small relative to the size of the industry. Second, every firm in a perfectly competitive industry produces exactly the same product. Firms in perfectly competitive industries do not differentiate (区分) their products, nor do they make decisions about price. Rather, each firm takes prices as given—that is, as determined in the market by the laws of supply and demand—and decides only how much to produce and how to produce it. Given the availability (可得性) of perfect substitutes, any product priced over the market price will not be sold. In perfect competition we also assume that firms can freely enter and exit the industry. The assumption of free entry implies that if firms in an industry are earning excessively high profits, new firms that seek to do the same thing are likely to spring up. Fast food restaurants are quick to spring up when a new shopping center opens. Where profit opportunities present themselves, we assume that firms will enter and compete for them. Free exit is possible when firms can simply stop producing their products and leave a market. Generally speaking, a

firm closes down because it is suffering losses or because profits are insufficient. New England textile and furniture products found themselves facing increasing foreign competition, as well as lower production costs in the South. While some firms packed up and moved, others simply got out of the business altogether.

16. Which of the following is not a feature of perfect competition according to the passage?

- A The firms involved are small compared to the size of the industry.
- B The firms involved produce goods of the same kind.
- C The size of the industry is usually very small.
- D The price of the products is determined by the market.

18. If a firm sells its products at a price higher than that of the market, consumers will

- A buy goods of the same kind produced by other companies.
- B stop buying this type of products altogether.
- C use another type of goods as substitutes.
- D continue to buy its products because of their good quality.

19. In the third paragraph, the author mentions "fast food restaurants" to show

- A the rapid emergence of new industries in downtown areas.
- B the prosperity of service industries in backward countries.
- C people's enthusiasm for shopping.
- D businessmen's interest in high-profit industries.

20. What is the most important reason for a company to quit a business?

- A Some other firms are making more money.
- B There is too much competition in this industry.
- C It is not making adequate profit.
- D Foreign products have got control of the market.

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