

CHAPTER 7 - MARKET STRUCTURES WORKSHEET 1

1) List the four different types of market structures.

- a)
- b)
- c)
- d)

2) Economies of Scale is the concept that larger companies can produce products at lower costs per unit than small companies. Explain why this is used to justify natural monopolies.

3) Give two characteristics of a perfectly competitive market.

4) Give two characteristics of a monopolistic market.

5) What does antitrust law prohibit?

6) Electric providers like Edison are an example of what specific type of monopoly?

7) Microsoft Windows at one time would have been considered this type of monopoly?

8) The United States Postal Service is this type of monopoly?

9) _____ is when a group of firms work together and essentially create a monopoly in order to increase prices and their profits. This is a concern particularly in _____ market structures.

10) What type of demand (elastic or inelastic) do you think you would find in a perfectly competitive market (for each firm, not each product)? Why do you think this is true?

11) What type of demand (elastic or inelastic) would you expect to find with a monopoly? Explain.

12) In what TWO markets would you be most likely to find product differentiation?

13) Why would you not find product differentiation in the other two markets not listed in the previous question?

14) Monopolies can often be inefficient. What is the reason this is usually true?

15) Are the following monopolistic competition or oligopoly? (Explain your answer):

a. Refrigerators -

b. Video game systems-

c. Gourmet ice cream-

d. Sunscreen-

e. Cable sports channels-

Comparison of Market Structures

	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
Number of firms				
Variety of goods				
Control over prices				
Barriers to entry				
Examples				

CHAPTER 7 - MARKET STRUCTURES WORKSHEET 2

Directions: Read the descriptions of the businesses provided. Analyze each description, identify the market structure that best characterizes the business, and explain your reasoning.

- 1) Healthy and Hearty Soups:** Healthy and Hearty Soups produces a variety of soups. There is considerable competition in the soup market. However, Healthy and Hearty Soups has spent several million dollars on an advertising campaign to convince consumers that their soups are healthier than all other soups. Because of this advertising, Healthy and Hearty Soups charges a higher price than other soups on the market.

Type of Market Structure:

Reason

- 2) Bill's Salmon Supplier:** Bill's Salmon Supplier sells fresh salmon to local seafood restaurants. Every morning Bill sails out to sea to catch salmon, and each afternoon he returns to sell his catch to local restaurants. There are hundreds of other fishers catching and selling salmon. Because the salmon Bill catches is just like the salmon caught by the other fishers, he can't raise his price.

Type of Market Structure:

Reason

- 3) County Cable:** County Cable supplies cable access to all local residents. It was a very expensive business to start. The entrepreneurs who started County Cable had to provide underground wire for the entire community. Other companies tried to compete, but the start-up costs were simply too high.

Type of Market Structure:

Reason

- 4) Perfect Picture Cameras:** Perfect Picture Cameras is a national camera company. It competes with a couple of other national camera companies. In order to gain an upper hand in the market, Perfect Picture Cameras has differentiated its camera by including an automatic focus and flash. Perfect Picture Cameras has the ability to raise its prices because of its unique features. However, federal regulators are always watching the company to ensure that no collusion occurs with other camera companies.

Type of Market Structure:

Reason

For questions 5 through 9, in the space provided write O if the statement describes an oligopoly or M if the sentence describes a monopoly.

_____ 5. This is the most common type of noncompetitive market found in the United States.

_____ 6. Cartels sometimes occur in this type of noncompetitive market.

_____ 7. A lack of close substitute goods reinforces this type of noncompetitive market.

_____ 8. This is a market structure in which a few large sellers control most of the production of a product.

_____ 9. This is a market structure in which one seller controls the total production of a product.

10. Suppose that there are five different lemonade stands in the same neighborhood. Explain how the lemonade stands meet most of the conditions of perfect competition.

11. If airlines (oligopoly) do not change their prices, how else might they try to compete with each other?

12. Why do you think a monopolist is called a *price maker*?

13. What are some examples of barriers to entry?

14. What are the main characteristics of oligopoly?

15. Why can oligopolies be dangerous to consumers?
