

Objective SS.912.E.1.6: Compare the basic characteristics of the four market structures (monopoly, oligopoly, monopolistic competition, pure competition).

Read each section and answer the accompanying questions to gain a better understanding of the different market structures.

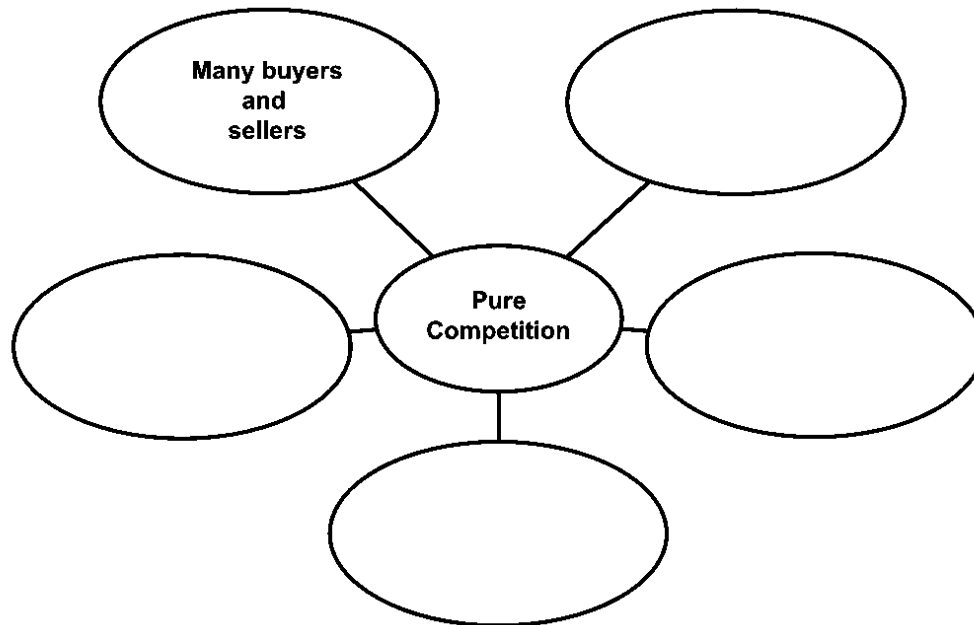
Pure (Perfect) Competition

1. **Connect:** How do incentives affect suppliers in a purely competitive market?

2. **Evaluate Explanations:** Why would having information be a requirement for a purely competitive market?

3. **Connect:** How is ease of market entry and exit related to the number of suppliers in a purely competitive market?

4. **Identify:** Use the graphic organizer to label the missing conditions of pure competition and the characteristic that results from them.



5. **Identify Cause and Effect:** Why would high start-up costs serve as a barrier to competition?

6. **Identify Cause and Effect:** Why would complex technology serve as a barrier to competition?

7. **Explain:** Why does efficiency drive the price down in a purely competitive market?

Monopolistic Competition

1. **Identify Supporting Details:** What effect do barriers to entry have in a monopolistically competitive market?
2. **Draw Conclusions:** How does differentiation help monopolistically competitive firms sell their products?
3. **Classify:** If your friend buys a brand of sneakers because his favorite basketball player wears them, what form of non-price competition is that?
4. **Predict Consequences:** If a monopolistically competitive brand-name product that you felt brand loyalty towards raised its price by a significant amount, what would you do? Explain your answer.

Oligopoly

1. **Hypothesize:** What might happen if price fixing were legal in the United States?
2. **Identify Cause and Effect:** How do greater economies of scale lead to an oligopoly?
3. **Summarize:** Why do cartels often not last very long?

Monopolies

Explain an Argument: Explain the government's argument that Microsoft engaged in anticompetitive practices.

Draw Inferences: What economic benefits resulted from the breakup of AT&T?

Analyze Interactions: Why do prices often rise after a merger or a series of mergers?

Determine Central Ideas: Under what conditions will the government approve a merger?

Identify Cause and Effect: When the government deregulates an industry, what does it expect will happen?

Summarize: Complete the following chart, based on the information in this Lesson.

