

Name: _____ Date: _____ Block: _____

MARKET STRUCTURES PRACTICE

SSEMI4 The student will explain the organization and role of business and analyze the four types of market structures in the U.S. economy.

Part I: Questions

1. What are the four different types of market structures?
 - a.
 - b.
 - c.
 - d.
2. What are two characteristics of a perfectly competitive market?
3. What are two characteristics of a monopolistic market?
4. Electric providers like Georgia Power are an example of what type of monopoly?
5. Microsoft Windows at one time would have been considered what type of monopoly?
6. The United States Postal Service is this what of monopoly?
7. What is an example of a perfectly competitive market?
8. In what two market structures would you be most likely to find product differentiation?
9. Why would you not find product differentiation in the other two markets not listed in the previous question?
10. In what two market structures would brand loyalty be most important? Also, explain why it is NOT important to the other two market structures.
11. Why do you think companies that have a monopoly are often less efficient than companies where there is competition?

12. 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

Part 2: Comparing Market Structures

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

Part 3: Scenarios

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.

