**Outcome 3.2: Market Structures**

* **I can identify the models of market structure (monopoly, oligopoly, monopolistic competition, perfect competition).**
* **I can determine how non-price competition is used in each of the four models**

**Step 1) Figure out the main characteristics of each model, using either the link to the *Quickonomics* site, or the explanatory youtube video:**

<https://quickonomics.com/market-structures/>

<https://www.youtube.com/watch?v=9Hxy-TuX9fs>

**Step 2) Make a few notes for each market structure model, then complete the following activity for each model:**

1. **Choose a product, service, or media that you consume or use, that fits into that structure.**
2. **How do you know that it fits this model? What characteristics does it have that make it fit this market structure?**
3. **How does the product compete with other similar products in this market? Does it have to advertise? Is it placed in specific spots?**
4. **What would happen to your purchasing habits if the price suddenly doubled for one of the brands/the brand? Would you switch products? Simply do without? Pay the extra?**

**Sample Answers:**

**Perfect Competition: Socks**

I buy black socks because they go with everything. This product fits into the model of perfect competition because there are numerous companies that produce black socks for female-sized feet, and I can find them in the price range of about $5 per pair or less in many different stores.

The producers don’t really market their plain black socks; they do compete with each other by placement in different stores. The socks I find at Shoppers Drug Mart, Marks Work Wearhouse, or WalMart are all different brands, exclusive to those stores. While they are all different brands, they are all basically the same price.

If the price suddenly doubled for socks at one of these stores, I would not buy the socks for $10 per pair – I would go to a different store that was still selling them for $5 per pair.

**Monopolistic Competition: Face Cream**

Realistically, I know that all face creams perform the same basic function: they use mostly oil-based ingredients to moisturize your skin. They are probably no different from all the other moisture creams out there. However, this product fits the model of monopolistic competition because they have all created the perception that they are slightly different, and their prices differ as a result of these “differences”

Different face creams compete with each other by advertising their “unique” characteristics. I prefer natural ingredients, so am willing to pay a bit more for brands that I trust to use ethically-sourced natural ingredients. That is the niche they have used to get to me. Other similar products profess to “reduce the look of wrinkles,” perform “anti-aging” miracles, or get rid of blemishes.

If the price on my preferred cream doubled, I would no longer buy it – I like it, but the logical part of my brain knows that I could probably just spread olive oil on my face, and it would serve the same purpose – for much less money. I would find a cheaper cream, or another solution.

**Oligopolistic : Banks**

When I wanted to purchase a house 22 years ago, I did not have $100,000 dollars saved up; therefore, I needed to use the services of a bank, to assist me with purchasing a house through a mortgage. Banks fit the model of Oligopoly, because there are not that many to choose from, they all have the same basic prices for the same basic services, and they have regulations that protect their collective interest: which is to keep people in debt because that has the highest return.

Banks do advertise, but they all advertise the same services for the same prices. They try to appeal to you by showing how they “help.” Ads show young families in huge, beautiful houses, or older people in a beautifully- renovated new kitchen.

If the cost of the mortgage doubled, I can’t just stop paying for this service. It is almost paid off, now; however, I don’t actually own my own house until I pay the whole cost back. I am able to switch my mortgage to another bank; however, there is a penalty built into the contract, so I would have to weight that cost with what I would save at the new bank. As well, there are a great deal of hoops to jump through, which include lawyers and surveyors. These are all included in the overall regulations, and all banks do it. A good deal at a different back would take careful calculations to find.

**Monopoly: Print Newspapers**

While I don’t personally buy them anymore for reasons I will outline in the last question, I do still enjoy the aesthetic of a newspaper. I like physical texts that I can hold. The English Newspapers in New Brunswick, though, are all owned by the same company: Brunswick News (The Irving Family).

Brunswick News is a Monopoly because they have orchestrated the purchase of every small-town newspaper in New Brunswick. This means that every news story needs to be approved by the Irving head office, and this affects the spin on certain stories.

These newspapers don’t really have any other newspapers to compete with; they are competing with other emerging media instead. Brunswick News does advertise, but to keep people reading print, and to have people subscribe to their online formats. They do have a niche, though – no other service covers the school’s Christmas concert, or the fundraising BBQ.

I do not buy the local paper very often. The journalists are not allowed to write many hard-hitting stories, and I do not want to pay even a few dollars to see that a moose walked down Wellington St. While I don’t like reading news online, I feel that outlets like CBC or the Globe and Mail have more freedom to report all the important news.