

## Market Structures Notes

**Essential Question:** How are markets structured?

### Warm Up

1. What is a market? (hint: remember supply & demand)
2. What role does competition play in a market for a good or service?
3. How would the market for tomatoes look similar or different to the market for laptops?

### Market Structures

- What is a market?
  - It's where buyers and sellers do business
- How are markets structured?
  - Markets generally fall into 4 main categories: perfect competition, monopolistic competition, oligopoly, & monopoly
  - These markets are defined mainly by the
  - To identify each type of market we need to know:
    - 1.
    - 2.
    - 3.
    - 4.

## Perfect Competition

- What is perfect competition?
  - It's the most efficient market structure because there are many firms competing
  - 
  - Consumers have easy access to information, such as comparing prices
  - Examples: cotton, grains, crude oil
- What are the characteristics?
  - 1.
  - 2.
  - 3.
  - 4.

### Think-Pair-Share

Jot down your thoughts under the prompts for 2 minutes and then share your answers with a partner.

1. What are some examples of perfectly competitive markets based on this definition?
  
  
  
  
  
  
  
  
  
  
2. Why would economists like this market structure best in a market-based economy?

## Monopolistic Competition

- What is monopolistic competition?
  - It's a competitive market structure where the product is differentiated but there are many sellers

- Since consumers usually develop “brand loyalty” to certain companies,
- Examples: shoes, restaurants, hotels, gas stations
- What are the characteristics?
  - 1.
  - 2.
  - 3.
  - 4.

### Think About It

- **Why would building a brand be important to these companies? How would they “build” a brand?**

### Oligopoly

- What is an oligopoly?
  - It’s a less competitive market where a few companies dominate the market
  - Examples: soft drinks, automobile, light bulbs, cell phone service providers, cartels like OPEC (illegal in the US)
- What are the characteristics?
  - 1.
  - 2.
  - 3.
  - 4.

### Think About It

- **Why do you think cartels (oligopolies who work together to set prices for the market) are illegal in the US?**

**Monopoly**

- What is a monopoly?
  - There is no competition because one company controls the market
  - Due to anti-trust laws they are not common in the US today
  - 3 types of legal monopolies:
  
- What are the characteristics?
  - 1.
  - 2.
  - 3.
  - 4.

**Think-Pair-Share**

Jot down your thoughts under the prompts for 2 minutes and then share your answers with a partner.

1. Why do you think the government made most monopolies illegal?
  
2. Who or what controls how markets are structured?