

Competition 101 – Perfect Competition, Oligopoly and Monopolies

SUBMITTED BY: Michael Ryan Moore, University of Pennsylvania, GSE

SUBJECT(S): Economics

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

In this lesson, students will compare and contrast perfect competition with monopolies and oligopolies. Students will work in groups to find examples of each type of market. Next, students will read “Microsoft Vs. the Feds: Drawing the Battle Lines,” to see examples of monopolies in practice. Finally, students will do a short activity that helps them think about the effect of monopolies on consumers.

≡ NBEA STANDARD(S):

- Economics, II. Economic Systems
- Economics, VII. The Role Of Government

≡ RELATED ARTICLES:

- [“Insights from the Fall of Aleppo”](#)
- [“Immigration Reform in America: The People, the Proposals and the Economics”](#)
- [“How Dungeons & Dragons Sparks Business Insight”](#)
- [“Epic Games vs. Apple: What’s Next for the App Economy?”](#)
- [“Checkmate: Chess and the Game of Business”](#)
- [“A ‘Battle Royale’ Between Two Video Game Companies”](#)
- [“5 Takeaways from the Disney-Fox Merger”](#)

Objectives/Purposes: The purpose of this lesson is for students to differentiate *monopolies* and *oligopolies* from *perfect competition*

- Students will be able to define *competition*
- Students will be able to define *monopoly*, *oligopoly*
- Students will think about government response to monopolies

Knowledge@Wharton Article: [“Microsoft Vs. the Feds: Drawing the Battle Lines”](#)

Other Resources/Materials:

For Teachers:

- Internet Access (Outside of the Classroom)
- Printer/Copier
- Access to Chalkboard/Whiteboard
- Butcher Paper
- Markers
- Students can also view the WGYM video glossary definitions for [Monopoly](#), [Monopolistic Competition](#), [Competition](#) and [Oligopoly](#).

Activity:

The lesson is divided into five parts: (1) Introduction, (2) Exploration Activity, (3) Guided Reading, (4) Class Discussion, and finally (5) Closing

1. Introduction (5-15 mins)

Introduce today’s lesson by asking students about *competition*. Ask students to provide examples of competition. What does it mean to have competition? Next, ask students about the effects of competition. How does intense competition influence a business? If you are a business owner, and a rival moves in next door, what happens? (A good example is competing gas stations on the same corner. Ask students how they, as a business owner, would bring customers to the station.) Afterwards, look at this same competition from the customer side. Do customers benefit from high-competition or low-competition? Make sure students give concrete examples to support their claims.

Next, ask broader questions about the causes of competition. What companies/markets have lots of competition? What markets have almost no competition? Once students have given examples of each, ask students why this is the case. What differentiates high-competition and low-competition industries?

2. Exploration Activity (10-20 mins)

Tell students that we will be looking at three different types of competition: perfect competition, oligopoly, and monopoly. Using the chalkboard, draw a continuum from perfect competition to monopoly, with oligopoly in the middle. Define a monopoly as a situation where there is only one supplier of a good or service. Ask students to think of examples. (NOTE: don't take too many student suggestions. Save them for the upcoming activity.) Next, define an oligopoly as a situation where there is more than 1 supplier, but still very few sellers in total. Again, ask students to think of examples. Finally, define perfect competition. Perfect competition refers to a situation where there are so many suppliers that no individual company has leverage over any other. Ask students for examples.

Next, break the class into small groups. Give each group a large piece of paper. During this activity, groups will compete in 3 activities. The team with the most points after three rounds "wins" this competition:

Part 1: Ask each group to think of as many examples of *perfect competition* as possible. Give each group 2-3 minutes. Have the teams share their answers. Each unique example — an example *not* listed by any other team — counts as one point.

Part 2: Ask each group to think of as many examples of *oligopoly* as they can. Again, give groups 2-3 minutes. Each unique example counts for one point.

Part 3: Finally, ask each group to list as many examples of *monopolies* as they can. Give groups 2-3 minutes to work. Once time is up, each group will read its list out loud. Each unique example is worth one point.

Tally up the points from all three rounds and declare your winner!

3. Guided Readings (5-10 mins)

Next, have students read through the article "[Microsoft Vs. the Feds: Drawing the Battle Lines.](#)" As students read, encourage them to think about the relationship between competition and monopolies.

4. Class Discussion (1-5 mins)

Once students have finished reading, encourage students to briefly summarize the article. Ask students to think about what affect a monopoly has on consumers. Should customers encourage monopolies? Why or why not?

Provide students with copies of [Worksheet 2](#).

5. Closing (1-5 mins)

Use the remaining time to have a short discussion about both competition and monopoly. Who benefits from each? Who suffers? Why? If students are clear on the material, teachers can briefly tease the next lesson on government regulation. When might the government step in to prevent a monopoly?

What Worked and What I Would Do Differently:

Make sure students are clear on the wording of worksheet problems. The point of the worksheet is to compare the total cost under monopoly vs. the total cost under competition. In some cases, a natural monopoly can do things more cheaply than competing firms. Why is this the case? Or, perhaps more importantly, *when* is this the case?

☺