

Firms, Production & Market Structures

Learning Goals

- By the end of this lesson, you will:
 - Review basic cost & profit concepts (short)
 - Understand 4 main types of market structures
 - Identify characteristics of each market structure
 - Recognize real-world examples for each type
 - Compare structures in a summary chart

QUICK REVIEW: PROFIT & COSTS

Profit Basics

- Firms aim to maximize profit:
 - Profit = Total Revenue – Total Costs
 - Explicit Costs: rent, wages, utilities
 - Implicit Costs: owner's time, money invested elsewhere
 - Economic Profit = Revenue – (Explicit + Implicit costs)
 - Max profit when Marginal Revenue = Marginal Cost

MARKET STRUCTURES

What Shapes a Market?

- Market structure depends on:
 - Number and size of firms
 - Similarity of products
 - Control over price
 - Ease of entry or exit
 - Amount of non-price competition

Perfect Competition

- Key Traits:
 - Many buyers and sellers
 - Standardized product
 - No control over price → Price takers
 - Easy to enter and exit
 - Little to no non-price competition
 - Example: farmers' markets, agricultural goods

Monopolistic Competition

- Key Traits:
 - Many small to medium firms
 - Similar but not identical products
 - Some control over price through differentiation
 - Relatively easy entry
 - Significant non-price competition
 - Example: restaurants, coffee shops (Starbucks vs Tim Hortons)

Oligopoly

- Key Traits:
 - Dominated by few large firms
 - Products may be identical or differentiated
 - Some to substantial control over price
 - High barriers to entry
 - Non-price competition can be intense
 - Examples: airlines, telecom (Bell, Rogers, Telus), auto industry

Monopoly

- Key Traits:
 - Single firm dominates the market
 - Unique product, no substitutes
 - Price maker – full control over supply and price
 - High barriers to entry
 - No direct competitors, little need for non-price competition
 - Examples: Ontario Hydro, Google Search (in many regions)

Comparison of Market Structures

- Quick Overview:
 - Perfect Competition → Many sellers, similar products, no price control (farmers)
 - Monopolistic Competition → Many firms, product differentiation (restaurants)
 - Oligopoly → Few big firms, some price control (telecom, airlines)
 - Monopoly → One firm, total control (utilities, Google Search)

Real-World Examples

- Canadian & Global:
 - Perfect → Farmers' market, corn producers
 - Monopolistic → Starbucks, McDonald's, Tim Hortons
 - Oligopoly → Bell, Rogers, Telus; Air Canada, WestJet
 - Monopoly → Ontario Hydro, VIA Rail (on some routes)

Review Quiz

- Test your knowledge:
 - 1. Which market structure has the MOST competition?
 - 2. In which structure do firms sell identical products and are price takers?
 - 3. Give one Canadian example of an oligopoly.
 - 4. True/False: In a monopoly, the firm is a price taker.
 - 5. True/False: Starbucks vs Tim Hortons is an example of monopolistic competition.

Summary & Key Takeaways

- Remember:
 - Profit is revenue – cost, but focus here is on competition.
 - Perfect → many sellers, standardized products.
 - Monopolistic → differentiation gives some price control.
 - Oligopoly → few big players, strong influence.
 - Monopoly → one firm, total control.