

Lesson 22

Monopolies

Objectives

- To distinguish between the concepts of monopoly and oligopoly
- To distinguish between coercive and non-coercive monopoly
- To respond to questions from the perspective of a coercive monopolist, an oligopolist, a noncoercive monopolist, or an unsuccessful entrepreneur

Notes to the Teacher

The Parker Brothers board game called *Monopoly* is a good way to illustrate the development of monopolies, both coercive and noncoercive.

The term coercive monopoly denotes a situation in which a monopoly exists (one company controls the market) and competition is forbidden *by government action*, *e.g.*, a power company within a state. Noncoercive monopoly denotes a situation where the person or organization has a monopoly, but entry is not forcibly blocked by nonmarket influences to would-be competitors, *e.g.*, the only grocery store or drugstore in a small town.

Today, many monopolies are, in fact, government-sponsored or run. In addition, oligopolies dramatically affect our daily lives. An oligopoly is a market situation in which the sellers are so few that the action of any one of them will affect prices and have a considerable impact upon competition, *e.g.*, IBM raising the price of office equipment.

Consider reviewing the chart comparing the three types of businesses (Lesson 20) prior to starting the game. Consider, also, using the questions as homework. Allow two or three days for students to play/complete their modified *Monopoly* game.

PREREQUISITE: Have students review the rules of how to play *Monopoly*. Have students read textbook material which explains what monopolies are and how they operate.

TERMS: Coercive, monopoly, noncoercive monopoly, oligopoly

Procedure

1. Obtain enough *Monopoly* sets to allow six students to play on each board. Have an equal number of males and females at each board if possible.
2. Take a moment to make sure students know the definitions of monopoly and oligopoly. Write the definitions on the board.
3. Distribute **Handout 40** and review it.
4. Appoint the Monopolist. See definition in **Handout 40**.
5. Play the game. (Suggestion: As the "government," you may wish to add all sorts of complications, depending on your group. For example, change some of the rules the Monopolist operates under, rescind the monopoly and sell it to the highest bidder, demand the payment of taxes to keep the monopoly, then distribute those taxes among the other players, dissolve the monopoly and require the Monopolist to play by the same rules as the others (*e.g.*, as happened with the breakup of AT&T).
6. Have students answer the questions on the handout after the game is completed.
7. Discuss responses in class, especially noting recurring responses and the reasons behind them. Debriefing is essential if the activity is to be a meaningful learning activity.

Monopolies

You are about to play a game, after which there will be a discussion period centering on the questions at the end of this handout. Please do not answer the questions until the game is over.

The board game *Monopoly* can clearly illustrate what has been called a noncoercive monopoly, that is, one that can be created and expanded upon by an individual with sufficient skill and good fortune. All players start in an equal position and all play by the same rules. They may buy, sell, or trade (or do nothing) at the appropriate times, again under identical rules equally applicable to all participants. Upon occasion the monopolist can lose his or her monopoly and even go bankrupt. In reality, however, not everyone has to go by identical rules. Some organizations have a coercive monopoly—some have government backing.

The Game

The rules of this game are the same as those of *Monopoly*, with these exceptions:—

The Monopolist

the “government” (your teacher) will select one person at each table to be the Monopolist. Like your teacher, the government has the authority and power to make decisions.

If you are the Monopolist, you are given Boardwalk and Park Place at the start of the game. You may erect houses and hotels at any time and assess the other players for one half the cost. After hotels are erected you may charge any amount for rent up to the amount stated on the card or one-half the renter’s cash, whichever is greater. You may also, of course, charge less if you wish, and you do not have to charge each player the same amount.

Since you already have a monopoly you may not purchase additional properties. You must also pay rent when applicable. You may not, however, go broke. Whenever you need cash for expenses, you may assess the other players for the differences between the cost and your own cash supply. Be aware, too, that the government has the authority to change *any* of the rules which you operate, so be sure to keep the government satisfied with your performance.

The Oligopolists

In the event that the three properties of any one color are obtained by three males or three females, they may form an oligopoly. The oligopoly must act in concert when erecting houses and hotels. That is, a house or hotel must be placed on each of the properties at the same time, not one at a time. Each oligopolist must bear his or her own cost.

When hotels are finally erected, the oligopolist may charge any amount for rent up to the amount stated on the cards or one-third the renter’s cash, whichever is greater. The renter, however, is free to try to negotiate a lower rent with either of the other two oligopolists. If the renter succeeds he or she merely moves to that property and pays the rent. An oligopolist may of course go bankrupt or be forced to sell. If this happens and the property is transferred to someone of the same sex, the oligopoly continues. If it is transferred to a member of the opposite sex, the oligopoly is broken, all houses and hotels are removed and the game continues.

Briefly answer the following questions that applied to you during the game. Be prepared to share them with the class.

If you were the designated monopolist

1. With whom did you have to deal to achieve your level of prosperity? Why?
2. Did you have to be careful about how you spent your money? Why or why not?
3. What do you think the attitude of the other players was toward you? Why do you think they felt that way?
4. To whom did you answer to run your business?
5. How did you feel knowing you couldn't go bankrupt?
6. How did you feel knowing that at any time the rules might be changed for you?

If you were an oligopolist

1. With whom did you have to deal to achieve your level of prosperity? Why?
2. Did you have to be careful about how you spent your money? Why or why not?
3. What do you think the attitude of the other players was toward you? Why do you think they felt that way?
4. To whom did you answer to run your business?
5. What advantages did your position give you in the game?
6. What disadvantages did your position give you in the game?
7. You were not directly regulated by the government, yet you were greatly affected by it. Tell how it affected your play.

If you successfully secured a color monopoly on your own

1. With whom did you have to deal to achieve your level of prosperity? Why?
2. Did you have to be careful about how you spent your money? Why or why not?
3. What do you think the attitude of the other players was toward you? Why do you think they felt that way?
4. To whom did you answer to run your business?
5. How did you feel about the fact that another monopolist was given what you had to work for?
6. How did you feel about the fact that you could go broke while another monopolist knew from the start that he or she would always be in the game and always have money?
7. You were not directly regulated by the government yet you were greatly affected by it. Tell how it affected your play.

If and when you were none of the above

1. With whom did you have to deal to achieve your level of prosperity? Why?
2. Did you have to be careful about how you spent your money? Why or why not?
3. What do you think the attitude of the other players was toward you? Why do you think they felt that way?
4. Who did you have to answer to in running your business?
5. How did you feel toward the other players?
6. Which of the other three categories cost you the most during the game? Why?

All students

1. Did the actions of the designated Monopolist or the oligopolists distort the normal play of the game? How?
2. If you answered "yes" to question 1, what *one* rule change would you make in the rules to smooth out this distortion and make the rules more fair for everyone?