Who Controls Connection?

How the number of internet providers can shape a market

GE.3.5 "Assess the influence of monopolies and oligopolies on marketplaces."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two ways limited competition could harm customers, circle one possible benefit of having few providers, and write 1 and 2 beside two barriers that could keep new providers out.

One Provider or Three?

1. In fictional Pine Valley, one company, ClearLink, sells wired home internet. It paid to lay cable along miles of roads, and a new provider would need permits, equipment, and many customers to recover similar costs. ClearLink can charge more than it might if customers had another wired option, or offer slower repairs without losing many subscribers. Yet it cannot charge any price it wants: some households could use mobile data, and others might cancel service. A single network can also avoid the cost of building duplicate lines, which may help keep service available in a sparsely populated place.

2. In fictional Lake City, three companies sell wired home internet. Together they serve nearly every household with a wired connection, making this market an oligopoly. Each company watches the others: if one cuts its monthly fee, its rivals may lower theirs to keep customers. Instead of cutting prices, they might compete by offering faster speeds or better service. They could also avoid price cuts because each expects its rivals to respond, even without making an agreement. Building new networks remains expensive, so the three established companies face less pressure from new entrants than sellers in an easy-to-enter market.

3. Consider how these structures shape choices, not just the number of sellers. Pine Valley households have little bargaining power over ClearLink, but one set of lines may cost less to maintain than several overlapping networks. Lake City households can switch among three firms, yet their shared interest in protecting profits could keep prices higher than in a market with many competitors. Neither label alone proves which place has cheaper service: population density, network costs, and plan speeds also matter. A city could compare fees and repair times before deciding whether to ease permit rules or investigate unfair conduct.

2 ANSWER WITH EVIDENCE

Use the passage

1. How could ClearLink's position affect both prices and repairs in Pine Valley?

2. What is one possible benefit and one possible cost for households when Pine Valley has only one wired network?

3. Why might Lake City's three providers improve service but still avoid lowering prices?

4. Why can't you conclude from the number of providers alone which place has cheaper internet? Name two other factors from the passage.

3 YOUR TURN

Your own words

Imagine two vendors supply all snacks at your school's games, and a third vendor asks to enter. In four sentences, assess how admitting the third vendor might affect prices and choices, name one barrier to entry, and explain one reason the outcome is uncertain.

ANSWER KEY

Who Controls Connection?

PART 1 · READ AND MARK

Underline two ways limited competition could harm customers, circle one possible benefit of having few providers, and write 1 and 2 beside two barriers that could keep new providers out. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How could ClearLink's position affect both prices and repairs in Pine Valley?	**With no other wired provider, ClearLink could charge more or offer slower repairs without losing many subscribers.**
2	What is one possible benefit and one possible cost for households when Pine Valley has only one wired network?	**One network avoids the cost of duplicate lines, but households have little bargaining power and may pay more.**
3	Why might Lake City's three providers improve service but still avoid lowering prices?	**They may offer faster speeds or better service to attract customers, while avoiding price cuts because they expect rivals to match them.**
4	Why can't you conclude from the number of providers alone which place has cheaper internet? Name two other factors from the passage.	**Other factors affect prices, including population density, network costs, and plan speeds. Accept any two.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

With only two vendors, each may feel less pressure to lower snack prices. A third vendor might offer lower prices or different snacks to attract buyers. The new vendor may struggle to afford a stall fee and equipment. Prices might not change if the third vendor faces the same high costs as the others.

For Part 3, accept plausible barriers such as stall fees, equipment costs, or limited space. Responses should explain a possible effect on buyers without treating a price drop as certain.