

Case Studies



Joan Robinson

British economist Joan Robinson earned a reputation not only as a gifted theoretician but also as an economic heretic. She became known as a “rebel with a cause” for her willingness to challenge accepted ideas in her field of study.

Robinson came by her independence of mind quite naturally. Born Joan Maurice in 1903, she belonged to an upper-middle-class English family that encouraged spirited dissent. Educated at the University of Cambridge, she received her degree in economics in 1925. The following year, she married Austin Robinson, also a Cambridge economist. After a period in India, in 1929 the couple returned to Cambridge where Joan became an economics professor and taught until 1971.

Pioneering Work

By the time of her death in 1983, Robinson had become one of the world’s leading economists. Her pioneering and best-known work, *The Economics of Imperfect Competition*, was published in 1933. At that time, accepted economic theory held that the natural condition of markets was competition, while monopolies tended to be the exception.

Robinson concluded that a variety of intermediate possibilities existed between the perfectly competitive market and monopoly. “It is customary in setting out the principles of economic theory,” she wrote, “to open with the analysis of a perfectly competitive world, and to treat monopoly as a special case. It is more proper to set out the analysis of monopoly, treating perfect competition as a special case.”

Her book made a significant contribution to the study of markets and established Robinson’s reputation as a maverick thinker. Her work demonstrated that most markets operated under less than perfectly competitive conditions. In fact, they more closely resembled monopolies. Often a few large firms dominated a market and controlled enough of the sales to affect price. This was called oligopoly. Robinson’s studies led to the concepts of monopolistic competition and oligopoly as intermediate cases between pure competition and monopoly.

Robinson also reasoned that price represented only one of the factors that consumers considered in making purchasing decisions. Convenience, quality, speed of service, and the behavior of sales clerks



British economist Joan Robinson’s concern about economic inequities led her to be called the “conscience of the economics profession.”

affected consumer decision making. So did such factors as brand name, advertising, the location of a place of business, or even the owner’s personality. Each could help differentiate one product or service from another.

Broad Contributions to Economics

Never a one-idea person, Robinson went on to make contributions to economic theory in a variety of areas. Her later work addressed such issues as how wages are set and the impact of world trade on competition. Over time, she became a social critic of certain aspects of capitalism. She clearly expressed her belief that economists should not ignore social and moral issues.

Robinson’s hatred of social injustices and deep concern about economic inequities led her to be called the “conscience of the economics profession.” Throughout her career she maintained a healthy skepticism about her chosen career. “The purpose of economics,” she once said, “is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”

Comparison of Toothpaste Brands

Brand	Maker	Cost Per Ounce	Advertised Features
Aim	Chesebrough-Ponds	\$0.22	gel with baking soda
Aquafresh	Smithkline-Beecham	\$0.37	for kids
Aquafresh	Smithkline-Beecham	\$0.77	whitening plus tartar control
Colgate	Colgate-Palmolive	\$0.34	tartar control
Crest	Procter & Gamble	\$0.54	extra whitening
Crest	Procter & Gamble	\$0.60	for sensitive teeth
Dental Care	Arm & Hammer	\$0.60	baking soda toothpaste
Grocery Store Brand	Kroger	\$0.34	baking soda toothpaste
Pepsodent	Chesebrough-Ponds	\$0.17	anticavity fluoride
Sensodyne	Block Drug	\$1.20	for sensitive teeth

This table shows the per-ounce price of various brands of toothpaste in December, 1999, at a grocery store in Raleigh, North Carolina.

Thinking About the Case Study

1. What did Joan Robinson believe about price and purchasing decisions by consumers? What nonprice factors have the makers of these toothpastes used to differentiate their brands from each other? What is the price range between the highest- and lowest-priced toothpaste?

2. **Analyzing Information** To what niche is Sensodyne intended to appeal in the toothpaste market? Which brand on the chart offers competition for Sensodyne?

3. **Identifying Central Issues** What was new about Robinson’s analysis of the way markets operate? How did it contradict traditional economic theories about markets?

4. **Drawing Inferences** Why do you think Robinson was described as a “heretic” and a “rebel with a cause”?

Free Enterprise Activity

Manufacturers have developed many ways to differentiate their products from other brands. Pick a product made by many different manufacturers such as a toy, food item, soft drink, or computer that is sold locally at grocery stores, shopping malls, or discount stores. Make a chart listing each brand of this product, indicating the cost of each product, and identifying the nonprice factors that help set each product apart from others. Pay attention to advertising, promotion, packaging, store location, store design, delivery, service, manner of payment, factory rebates, and other elements of product differentiation.