

PRINCIPLES OF ECONOMICS

Lecture 31 MONOPOLISTIC COMPETITION

October, 2015



TOPIS OF DISCUSSION

1. Monopolistic Competition

- Meaning
- Features/Assumptions
- Demand Curve

IMPERFECT COMPETITION

Imperfect competition refers to those market structures that fall between perfect competition and pure monopoly.

TYPES OF IMPERFECT MARKETS

➤ Monopolistic Competition

- Many firms selling similar products but differentiated (not identical)

➤ Oligopoly

- Only a few sellers, each offering a similar or identical products

FEATURES OF MONOPOLISTIC COMPETITION

Markets that have some features of competition and some features of monopoly

- Many buyers and sellers
- Product differentiation
- Free entry and exit
- Selling cost

MONOPOLISTIC COMPETITION

Many Buyers and Sellers

- There are many firms competing for the same group of customers.
- Product examples include soap, CDs, toothpaste, computer games, restaurants, shampoos, cookies, furniture, etc.



MONOPOLISTIC COMPETITION

Product Differentiation

- Each firm produces a product that is at least slightly different from those of other firms.
- Firms are not the price taker, each firm faces a downward-sloping demand curve.

MONOPOLISTIC COMPETITION

- Free Entry or Exit
- Firms can enter or exit the market without restriction.
- The number of firms in the market adjusts until economic profits are zero

THANK YOU 😊