Monopolistic competition

1) Large number of firms who compete among each other.

2) Firm has small market share
3) Produces differentiated product
4) No entry and exit barrier

Oligopoly market

1) Few sellers
2) Each producer has large market share
3) Interdependency among each other in decision making.
4) Products may be homogeneous but differentiable
5) Barriers to entry.

firms together control the market.

→ Duopoly market : Two firms together control the market.

→ Monopsony market: one buyer

FACTOR DEMAND

Factor demand is called "Derived demand"

L	Q	MP_L	P	VMP_L	wage(w)	$\Delta\Pi = VMP_L - W$
0	0	—	10	—	400	—
1	100	100	10	1000	400	600
2	180	80	10	800	400	400
3	240	60	10	600	400	200
4	280	40	10	400	400	0
5	300	20	10	200	400	-200

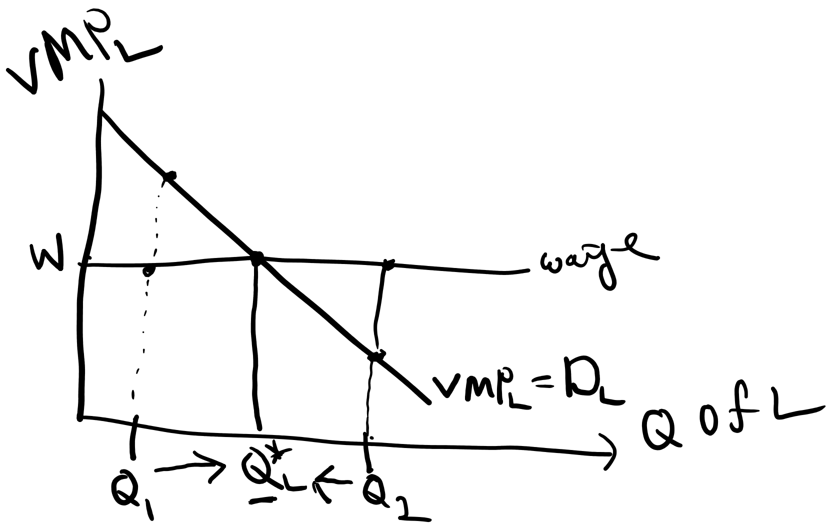
$VMP_L = P \times MP_L$

value of marginal product of labor

... product of Labor"

✓Value of Marginal Pro...
✓"Marginal Revenue product of Labor"

$\boxed{VMP_L = W}$ Equilibrium point of Labor demand



At Q_1: $w < VMP_L$

At Q_2: $w > VMP_L$

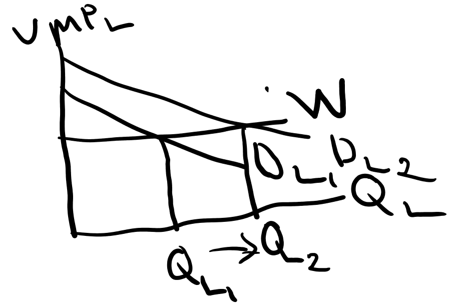
* Factors that shifts the labor demand

1) output price:

$VMP_L = P \times \overline{MP_L}$

$\uparrow P \Rightarrow \uparrow VMP_L$ (will shifts to the right)

$\uparrow P \rightarrow \uparrow VMP_L$ (will shifts to the right)



2) Technological Change:

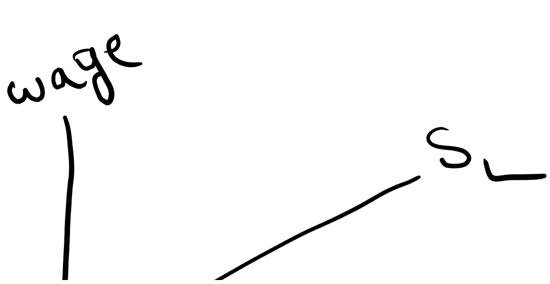
$VMP_L = \bar{P} \times MP_L$

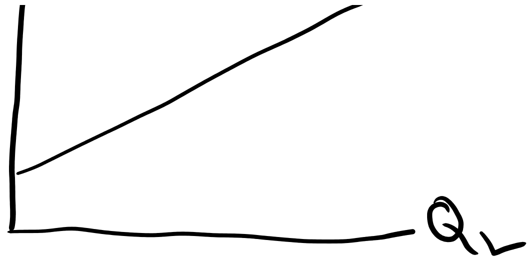
$\uparrow MP_L \rightarrow \uparrow VMP_L \rightarrow VMP_L$ shift to the right $\rightarrow D_L$ will increase

3) Supply of other factors:

$MP_L \uparrow \rightarrow \uparrow VMP_L \rightarrow$ shift right $\rightarrow D_L \uparrow$

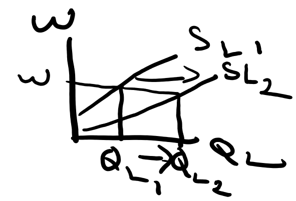
The Supply of Labor





Shifting factors of Labor supply

1) Changes in preferences and norms:



2) Changes in alternative opportunities

Agri 12000৳

RMG 12000৳

12000৳ → 15000৳

3) Immigration

Equilibrium in Labor market

Equilibrium in Labor Market