Module III

Market Structure

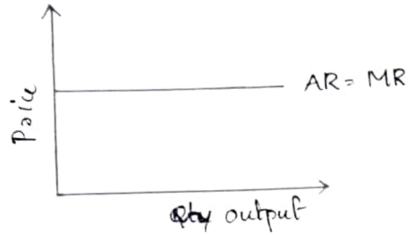
Shape of revenue curve ~~Demand curve~~ in market structure

(Demand curve)

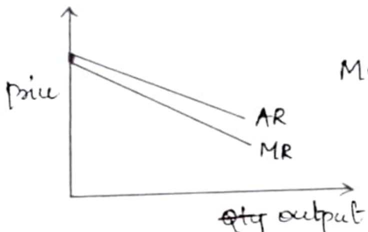
(AR = Demand curve

Equillibrium
AR = MR }

perfect competition

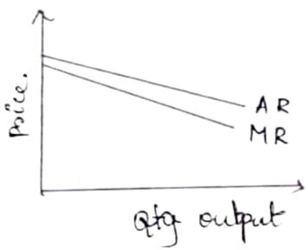


Monopoloy



MC = MR

Monopolistic



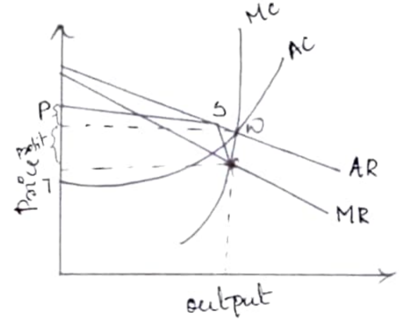
MC = MR

Price output determination

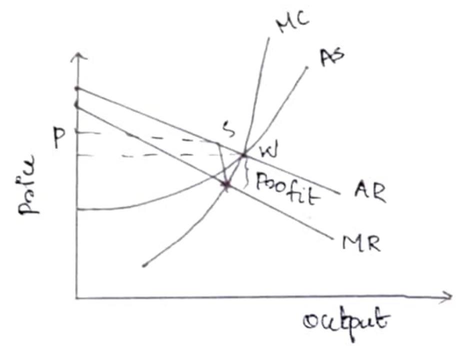
imp

$\boxed{MC = AR}$

monopoly



Monopolistic competition

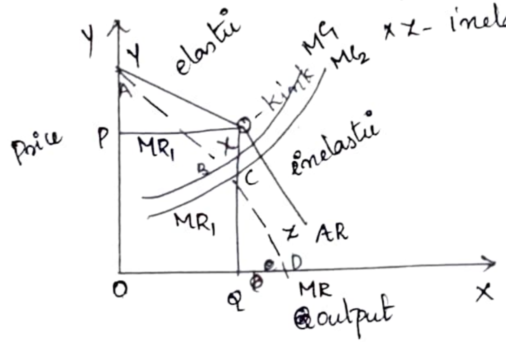


15/03/24

oligopoly

Kinked demand curve - Paul M Sweezy
(Sweezy model)

IMP



Rigid price & / kink (reason)

* CARTEL & collision Types of price leadership
* Barometric price leadership
* Aggressive price leadership

* Price rigidity can be explained with the help of kinked demand curve. The kinked demand curve represent a situation in which the firms has no intention either to increase the price or to decrease the price. ~~But~~ The price will remain rigid at a particular level (x), YX is elastic & XZ is inelastic. The main reasons for this if a firm increase the price others may not, If there is a price cut other may cut more, If the price is increased above OP other firms maintain the old price. This is the major reason price rigidity in oligopoly market structure.

* Explain the 3 types of price leadership & in oligopoly market structure?

→ Leadership by a dominant firm - One firm which produces bulk of the product, dominate the entire market. It fixes the price others follow.

→ Barometric price leadership - Here an old experienced & large firm usually the largest assumes the role of a leader. It fixes the price suitable for all the firms.

→ Aggressive price leadership - They are leaders by their aggressive price policies. They compel the firms to follow & accept the price. In case any firm shows independence the firm threatens & use (compels) others to follow their price.

* What is dumping?
Dumping is a price discrimination in which the firm sells its o/p at a very low price in the international market & at high price in the home market. It is important because

They need to develop trade (Export)

uq → What is collusive oliogopoly?

* According to Samuelson "collusion denotes a situation in which 2 or more firms jointly set their prices/ o/p divide the market among them make business decision" Collusion help the firms in preventing uncertainies, prevent entry of new firm, strengthen the bargaining power of firm. Collusion can be formal / informal (~~tati~~ Tacid). In formal there will be formal agreement. In tacid firms collide in an informal way

→ What is a Cartel? Formation of a legal group of firms for determining the price of o/p level (opec).

→ What is price discrimination?

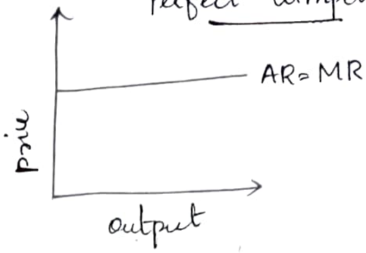
* Charging different prices from different buyers for the same good/ The act of selling the same product for different prices

→ Why is a monopolist called a price maker?

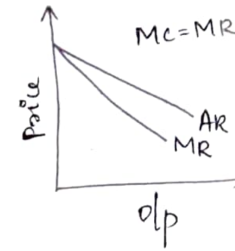
* The monopolist the authority to fix up plan the price of goods. There is only one seller. The firm has the sole right to influence the market rate up has the pricing power. In a monopoly market there is high barriers for new players.

Demand curve in market structure

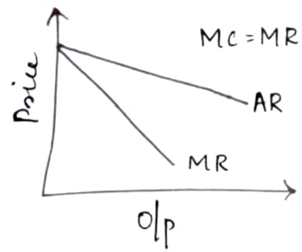
Perfect competition



monopoly



monopolistic



oligopoly

19/03/24

Product pricing (V. imp) %

1. cost plus / Markup
   AC + M (10%)

2. Target Return
   Rate on Investment (ROI)
   Target Return = $\frac{\text{unit price} + \text{Desired return} \times \text{Invest}}{\text{unit sales}}$

3. penetration
   Just below the market price.
4. predatory pricing
% 5. Going rate price
6. price skimming (short note)

~~Abc Kra~~
~~Non Price competition~~

Non-Price competition (factors other than price)

* Home delivery system
* Coupon system
* gift
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