

Monopoly Market Structure

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Monopoly

- ▶ Condition of Monopoly Market
- ▶ There is only one seller and many buyers
- ▶ Condition for monopoly to exist are
 - ▶ There is no close substitute for the product
 - ▶ There exists barrier to entry and exit

Barrier to entry and exit

- ▶ These can be defined as factors that allow incumbent firms to earn supernormal profits in the long run by making it unprofitable for new firms to enter the industry.
- ▶ Structural barriers
 - ▶ Control of essential resources
 - ▶ Economies of scale and scope
 - ▶ Marketing advantage of incumbents
 - ▶ Information cost
 - ▶ Government regulation

Strategic barriers

- ▶ Strategic barriers
 - ▶ Limit Pricing
 - ▶ Predatory Pricing
 - ▶ Excess Capacity
 - ▶ Heavy advertising
 - ▶ Patent and other legal barriers

Pricing Decision

- ▶ Profit Maximizing condition
- ▶ In Diagram
- ▶ Do a monopolist always makes profit

Comparison between Monopoly and PC

- ▶ Price
- ▶ Quantity
- ▶ Profit
- ▶ Productive Efficiency
- ▶ Allocative Efficiency

Additional Topics

- ▶ Supply Curve
- ▶ Natural Monopoly