I. Monopolistic Competition - It confronts a downward sloping demand curve.   
 Location  
 A hotel on the beach can charge more than one in say, Carrolton  
 Quality  
 Service  
 A credit card is a credit card but each has different level of service  
 Packaging  
 Color of box  
 Packing  
 Advertising  
 If Bayer says 9/10 doctors recommend Bayer, then people may be inclined to buy Bayer. However, due to FDA Aspirin has to be 99.7% pure so there’s only a maximum possibility of it being different from the off-brand by 0.3%.   
 Can they turn a profit in the long run?  
 No, they can not get long run profits. Short run economic profits are a signal for new firms to enter, which drives down the market share.   
 Monopolistic Long Run  
 P=ATC > MR=MC  
 Purely Competitive Long Run  
 P=ATC=MR=MC

How do you know if they’re monopolistic or oligopoly?

They produce

The steeper the slope the more inelastic the demand. The monopolistic competitive is going to probably have a more elastic demand.

1. Oligopoly
   1. When a few firms dominate the market
      1. If four largest firms control 40% or more than they’re considered as an oligopoly
   2. Examples
      1. Network Television
      2. Beer Industry
      3. Airline Industry
      4. Auto Industry
   3. They can be standardized or differentiated product
      1. Standardized
         1. Oil
      2. Differentiated
         1. Cars, AA vs SWA
   4. Mutual Interdependence
      1. What firm A does is a function of B and C behave
      2. When one auto manufacturer creates a new financing model, the others will match it
      3. When American slashes pricing on their flights, Delta, would soon follow
   5. Cereals
      1. There are lots of cereals but the brands behind them are few
      2. Kellogs, General Mills, Kashi, Quaker but beyond that there are not many other
   6. Non-Collusive
   7. Collusive
      1. Collusion
         1. Definition
            1. Groups/firms formally get together to form decisions
         2. Example
            1. Cartels
            2. OPEC
      2. Collusion is against the law as it goes against Anti-Trust Laws