ECON 532
Wohlgemuth

Overview of Market Structure

	Monopoly	Oligopoly	Monopolistic Competition	Perfect Competition
# of firms (sellers)	1 firm	few firms	many firms	many firms
# of Buyers	many buyers	many buyers	many buyers	many buyers
Prices	firm sets price	If one firm changes their price, other firms will follow. Firms behave strategically - considering the actions of their decisions on the other firms decisions	Firm has control over price	Firms take prices as given - determined by the Market Supply and Market Demand Curves
Entry	Entry is restricted (Barriers to Entry) (Patent protection, high start up costs)	Barriers to Entry	Free Entry and Free Exit	Free Entry and Free Exit
Output	Output is Unique	Output is similar, but differentiated	Output is Differentiated	Output is Identical
Firm's Demand Curve	Firm's demand curve is market demand curve Firm's Demand slopes Downward	Use Game Theory to Analyze decisions	Firm's demand curve is downward sloping, but will shift in/out based on actions of other firms	Firm's demand curve is horizontal at market price.
Marginal Revenue	If demand curve is linear - the MR curve is 2 x as steep with same "y" intercept		If demand curve is linear - the MR curve is 2 x as steep with same "y" intercept. Each new demand curve has it's own new MR curve	MR = P = d
Decision Rule	Pick Q such that MR = MC	Pick Q such that MR = MC	Pick Q such that MR = MC	Pick Q such that MR = MC