A Comparison of Various Market Structures

Structure / Characteristics	Monopoly	Oligopoly	Monopolistic Competition	Perfect Competition
Number of Firms	One	Few	Many	Almost infinite
Barriers to Entry	Significant	Significant	Few	None
Pricing Decisions	$MC = MR$	Strategic pricing, between monopoly and perfect competition	$MC = MR$	$MC = MR = P$
Output Decisions	Most output restriction	Output somewhat restricted	Output restricted somewhat by product differentiation	No output restriction
Interdependence	Only firm in market, not concerned about competitors	Interdependent strategic pricing and output decision	Each firm acts independently	Each firm acts independently
Profit	Possibility of long-run economic profit	Some long-run economic profit possible	No long-run economic profit possible	No long-run economic profit possible
P* and *MC	$P > MC$	$P > MC$	$P > MC$	$P = MC$

Finding the Nash Equilibria of a Game

To find the Nash Equilibria of a game, for each outcome, ask yourself, "Given what the other player is doing, does either player have an incentive to change what they are doing at this outcome?"

If the answer is "yes" for either player, that outcome is NOT a Nash Equilibrium.

If the answer for both players is "no," the outcome is a Nash equilibrium.