

MARKETS. COMPETITION.



«I think its wrong that only one company makes the game monopoly»

- Steven

Wright

WHAT DEPENDS ON THE SELLER

SUPPLY, THE QUANTITY OF A PRODUCT THAT SUPPLIERS WILL PROVIDE, IS THE SELLER'S SIDE DEMAND, THE QUANTITY OF A

PRODUCT THE CONSUMER

WANTS IS THE



IN A PERFECT MARKET THERE CAN BE ONLY ONE PRICE FOR A GIVEN COMMODITY: THE LOWEST PRICE WHICH SELLERS WILL ACCEPT AND THE HIGHEST WHICH CONSUMERS WILL PAY.



MONOPOLY

A PURE MONOPOLY IS A SINGLE SUPPLIER IN A MARKET. FOR THE PURPOSES OF REGULATION, MONOPOLY POWER EXISTS WHEN A SINGLE FIRM CONTROLS 25% OR MORE OF A PARTICULAR MARKET



MONOPOLY BARRIERS

MONOPOLIES EXIST BECAUSE OF BARRIERS TO ENTRY INTO A MARKET THAT PREVENT COMPETITION.

BARRIERS TO ENTRY INCLUDE LEGAL BARRIERS, SOCIOLOGICAL BARRIERS, AND NATURAL BARRIERS.



A **LEGAL BARRIERS**,
SUCH AS PATENTS,
PREVENT OTHERS
FROM ENTERING
THE MARKET UNTIL
THE PATENT
EXPIRES.



SOCIOLOGICAL BARRIERS – NOT
EVERYONE HAS THE BRAINS TO WIN A
NOBEL PRIZE NOR THE SKILL TO
SLAM-DUNK A BASKETBALL

NATURAL BARRIERS – WHERE THE
FIRM HAS ECONOMIES OF SCALE TO
PRODUCE WHAT OTHERS CANNOT
REPLICATE.



THE KEY DIFFERENCE BETWEEN A MONOPOLIST AND A PERFECT COMPETITOR

FOR A COMPETITIVE FIRM,
MARGINAL REVENUE EQUALS PRICE:

$$P = MR$$

FOR A MONOPOLIST IT DOES NOT.

THE MONOPOLIST MUST TAKE INTO ACCOUNT THE FACT THAT ITS PRODUCTION DECISION WILL SIMULTANEOUSLY SET PRICE.

NATURAL MONOPOLY:

WHEN A MONOPOLY IS ESTABLISHED DUE TO NATURAL CAUSES THEN IT IS CALLED NATURAL MONOPOLY. TO-DAY INDIA HAS GOT MONOPOLY IN MICA PRODUCTION AND CANADA HAS GOT MONOPOLY IN NICKEL PRODUCTION. THESE MONOPOLY NATURES HAS PROVIDED TO THESE COUNTRIES.



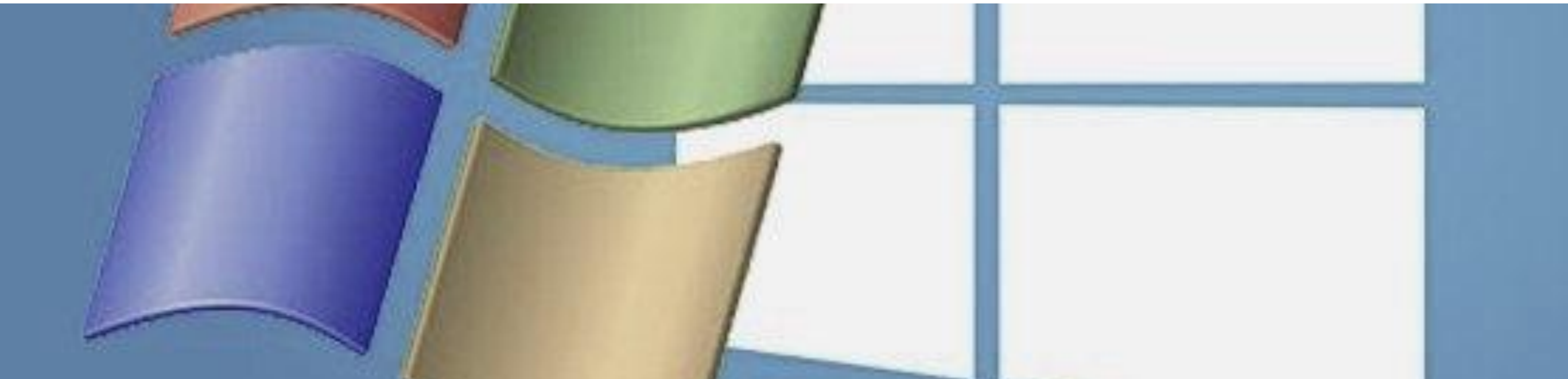
LEGAL MONOPOLY:
WHEN ANYBODY RECEIVES OR
ACQUIRES MONOPOLY DUE TO
LEGAL PROVISIONS IN THE
COUNTRY. IN THIS CASE PATENTS
ARE MOST IMPORTANT



TECHNOLOGICAL

WHEN A SINGLE FIRM HAS
MONOPOLY
EXCLUSIVE RIGHTS OVER THE
TECHNOLOGY USED TO
MANUFACTURE IT.

AN EXAMPLE IS WINDOWS 7 BECAUSE IT
WAS PATENTED SO NO ONE ELSE CAN TAKE
THE CREATION.



GEOGRAPHIC MONOPOLY

A SOLE PROVIDER FOR A CERTAIN AREA OR REGION, WHICH CAUSES OTHER BUSINESSES NOT TO ENTER DUE TO PROFITS BEING SO SMALL.

