

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

WHAT DEPENDS ON THE CONSUMER

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.

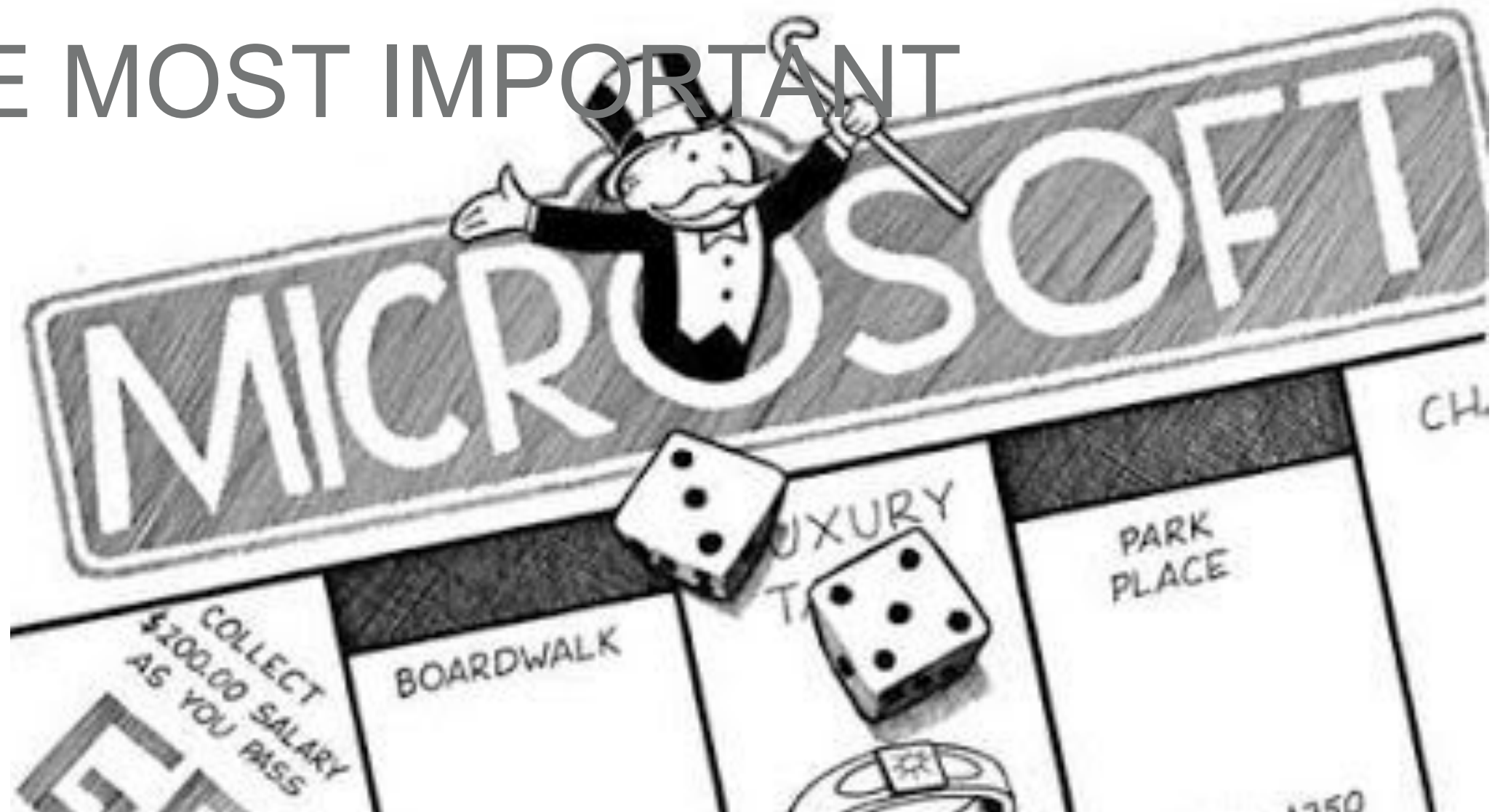
THE MONOPOLIST MUST TAKE INTO
ACCOUNT THE FACT THAT ITS
PRODUCTION DECISION WILL
SIMULTANEOUSLY SET PRICE.

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.



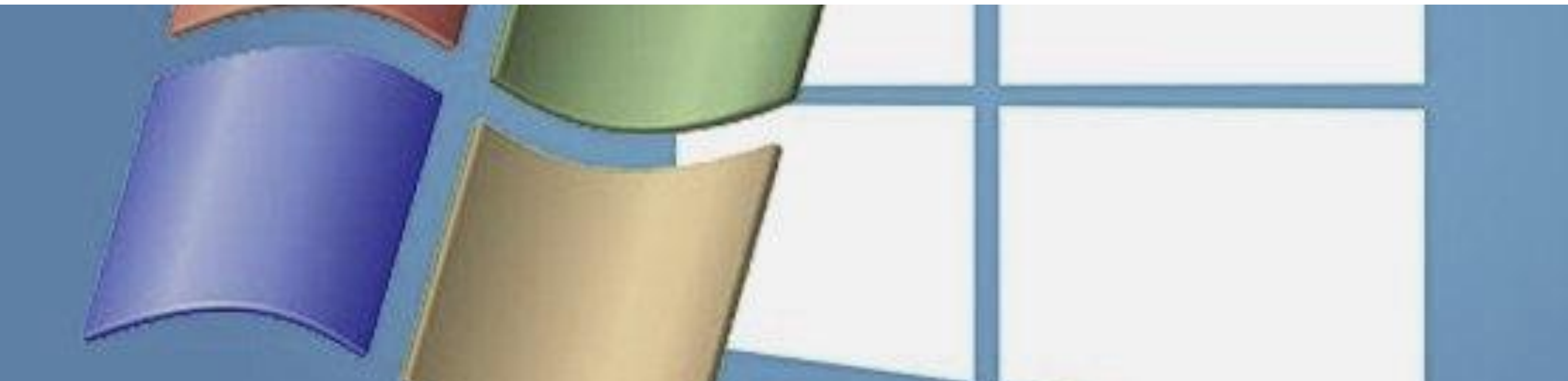
LEGAL MONOPOLY:
WHEN ANYBODY RECEIVES OR
ACQUIRES MONOPOLY DUE TO
LEGAL PROVISIONS IN THE
COUNTRY. IN THIS CASE PATENTS
ARE MOST IMPORTANT



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.

