

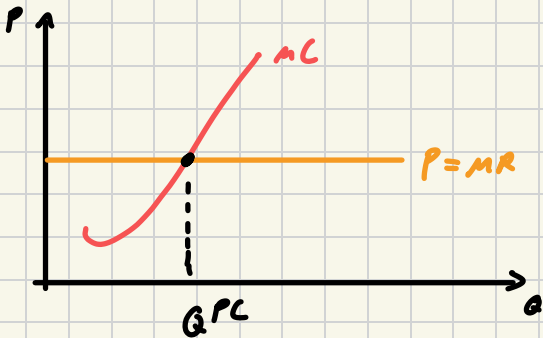
MODULE 12 - MARKET STRUCTURE

- PERFECT COMPETITION
- MONOPOLY
- OLIGOPOLY
- CARTEL
- MONOPOLISTIC COMPETITION

Perfect Competition

- Infinite buyers
- Infinite sellers
- Price-takers
- Marginal Revenue = Marginal Cost
Price = Marginal Cost

Question 1



MONOPOLY

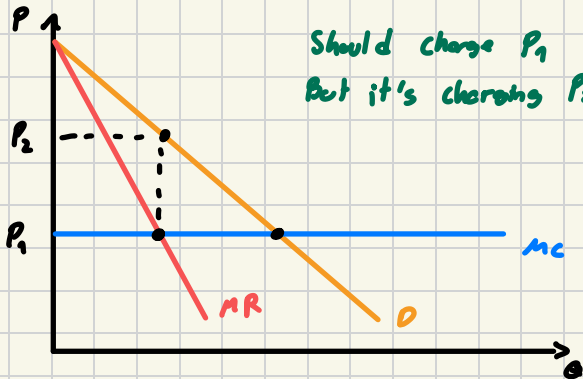
- Only one seller
- Price taker
 - Idea \Rightarrow All people buy the good from this company. So it can charge the price it wants

Oligopoly

- Few number of sellers
- Have Market Power, but cannot decide the prices by their own
- Marginal Revenue = Cost
Marginal Revenue > Price

Question 2

Should charge P_1
But it's charging P_2



Question 7

Market Power:

$$MR = MC \Rightarrow 120 - Q = 2Q$$

$$120 = 3Q$$

$$Q = 40$$

$$P = 120 - Q/2 = 120 - 40/2 = 100$$

Question 4

- **Perfect Competition:** If the firm charges a $MR > P$. Consumers are going to buy from other companies
- **Oligopoly:** Increase in prices are not going to reduce that much the quantity

Question 5

when you produce one additional unit you sell more goods but the price is lower



GAIN

$$MR = GAIN - Loss$$

Question 5

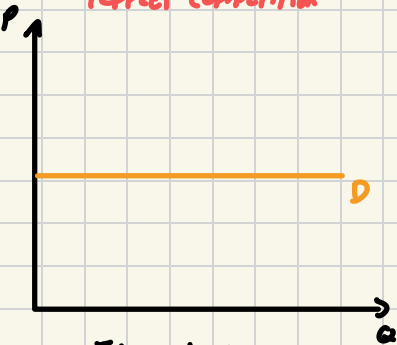
$$\text{GAIN: } p - 1$$

$$\text{Loss: } (10 - p) \cdot 3 = 6$$

$$\text{AR} = p - 6 = 2$$

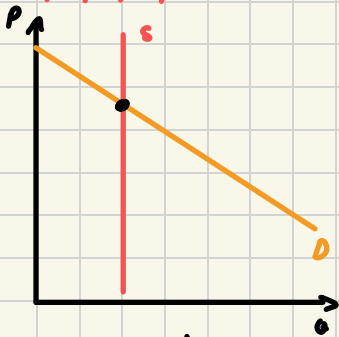
Question 6

Perfect competition



TAKE the price

Monopoly



Choose quantity
 \Rightarrow Choose price

- **CARTOL**

- Group of Firms decide to work together and act like a monopoly

- **MONOPOLISTIC COMPETITION**

- FIRMS sell differentiable Goods

- * GAS STATIONS

- * STREAMING

- * CELL PHONES

