

Study unit 10

MONOPOLY AND IMPERFECT COMPETITION

Feature	Perfect Competition	Monopolistic competition	Oligopoly	Monopoly
Number of firms	Many no one can influence market price	So many each firms thinks that others will not detect its actions	Few – must consider actions of other firms	One
Nature of product	Homogeneous	Heterogeneous	Homogeneous/ Heterogeneous	Only one product with no close substitutes
Entry	Free	Free	Varies from free to restricted	Blocked
Information	Complete	Incomplete	Incomplete	Complete
Collusion	Impossible	Impossible	Possible	Irrelevant

Feature	Perfect Competition	Monopolistic competition	Oligopoly	Monopoly
Firm's control over the price	None	Some	Considerable but less than a monopoly	Considerable
Demand curve of the firm's product	Horizontal Perfectly elastic	Downward-sloping	Downward sloping, may be kinked	Downward-sloping
Long-run economic profit	Zero, only normal profit	Zero, only normal profit	Can be positive	Can be positive