

# Types of Market Structures

# Perfect Competition

- A market where perfect competition is subject only to the laws of supply and demand
- The number of firms is unlimited
  - There are no barriers to entering the market
  - Each firm produces one product that is the same as that supplied by other firms
  - As more enter the market, the supply increases
  - Competition is unlimited
  - The number of firms is unlimited

# Monopoly

- The opposite to perfect competition is a monopoly
- This type of market involves only one firm, which has total control over the price of a good or service
- A monopoly is known as a price maker
  - Monopolies can take advantage of their customers by raising prices and limiting supply

# Monopolistic competition

- There are many competing producers, because barriers to entering the market are low
- Each firm makes a product that is slightly different from the others
- The products are different, each firm has some control over the prices it charges
- Most of the things we buy every day are made by companies in this type of market
- Soap, shampoo, toothpaste, jeans, shoes, to name a few

# Oligopoly

- Similar to a monopoly, except that a few large firms, rather than just one, control the market
- Oligopolies are common and include such markets as automobiles, soft drinks, airlines
- Barriers to enter the market are high
- Products vary
- There is a little competition (few large firms control the market)

# Market Structures from Most Competition to No Competition:

- **Perfect Competition** – One produce; products are all the same no matter where purchased; Unlimited Competition; No barriers to entry.
- **Monopolistic Competition** – A Lot of Competition; Variety of products; Low Barriers to entry
- **Oligopoly** – Few Large Firms Control the Market; High barriers to entry; Little Competition
- **Monopoly** – One product; No competition; Extremely High Barriers to Entry.