



MARKET STRUCTURE

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What is The market Structure?

Those characteristics of the market that significantly affect the behavior and interaction of buyers and sellers.

Things To Be Considered

- ▶ **Number and size of sellers and buyers**
- ▶ **Type of the product**
- ▶ **Conditions of entry and exit**
- ▶ **Transparency of information**

Types Of Market Structure

- 1. Pure (perfect) Competition**
- 2. Monopoly**
- 3. Monopolistic Competition**
- 4. Oligopoly**

Pure (perfect) Competition

- **Many and small sellers, so that no one can affect the market**
- **Homogeneous product**
- **Free entry to and exit from the industry**
- **Transparent and free information**

Pure (perfect) Competition

- ▣ **Zero transaction costs**
- ▣ **No Advertisement cost**
- ▣ **No Government Intervention**

Monopoly

1. **A single seller:** the firm and industry are synonymous.
2. **Unique product:** no close substitutes for the firm's product.
3. **The firm is the price maker:** the firm has considerable control over the price because it can control the quantity supplied.
4. **Entry or exit is blocked.**

Monopolistic Competition

- **Multiple firms produce similar products**
- **Product Differentiation is necessary condition**
- **In the limit, firms compete away economic profits**

Oligopoly

- **Few large firms**
- **Interdependence of decision making:**
- **Entry is hard:** *economies of scale, huge capital investment may be the barriers to enter.*
- **Product Differentiation not a necessary condition**

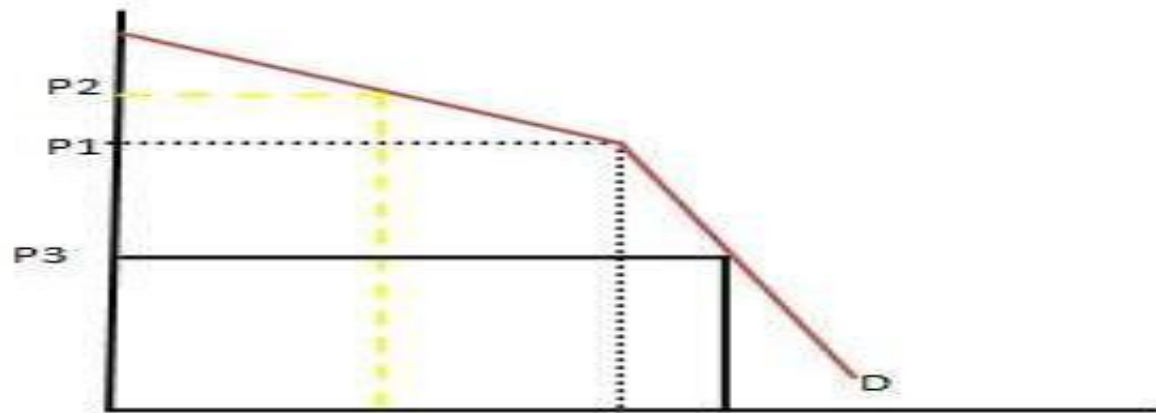
Oligopoly

- **Price rigidity**
- **Barriers to entry**
- **Huge investment required**

Curve in Oligopoly Competition

OLIGOPOLY

PRICE



QUANTITY



