Perfect Market

Ingredients for a perfect market: (perfect competition)

1. large # of buyers and sellers
2. buyers and sellers sell identical products
3. buyers and sellers act independently
4. buyers and sellers are reasonably well informed
5. buyers and sellers are free to enter into, conduct or get out of business

Is a “price taker”—has to “take” the market determined price or risk losing business

<http://www.youtube.com/watch?v=yGlHHW8OorY>

Monopolistic Competition

1. Similar to Perfect, but w/out identical products
2. Many different companies selling similar products
3. Product differentiation, non-price competition is important

Oligopoly—very few sellers

1. Ex. “Big Three” Auto makers
2. Interdependent behavior –when one acts, others follow
3. Risk of collusion and price fixing

Monopoly

1. Only one seller in the market
2. Characteristics
   1. High barrier to entry, (Hard to get started)
   2. High production/maintenance costs
3. Natural Monopoly: single firm reduces costs (economies of scale)
4. Geographic monopoly: absence of other sellers in an area
5. Technological monopoly: patent on new technology prevents competitors from joining in
6. Government monopoly: owned by the Govt.

Rockefeller and Standard Oil.

<https://www.youtube.com/watch?v=6MaJeW4XBxU>