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**HYD.**



 1 Theory of market structure

 2 Market failure

ON

14<sup>TH</sup> OCT 2014

AT

MCRHRD



# “Theory of market structure”



## MARKET OR COMPETITION ?



```
graph TD; A[MARKET OR COMPETITION ?] --> B[PERFECT MARKET]; A --> C[IMPERFECT MARKET]; C --> D[i) MONOPOLY]; C --> E[ii) OLIGOPOLY]; C --> F[iii) MONOPOLISTIC];
```

PERFECT MARKET

IMPERFECT MARKET

i) MONOPOLY

ii) OLIGOPOLY

iii) MONOPOLISTIC



## PERFECT MARKET

## AN MYTH?

### MAIN FEATURES:

- 1 large no of buyers & sellers
- 2 Product is homogenous
- 3 No transportation cost
- 4 Free entry & free exit
- 5 perfect knowledge of market .
- 6 Price takers
- 7 Equilibrium , where  $MR=MC$





INDUSTRY      OR      FIRM

PRICE DETERMINATION ?



# MONOPOLY

Is there any competition?

But limited market

public or private ?

INDIAN CONTEXT ?

Features:

1 single producer\seller

2 price maker

3 no close substitutes

4 loss is out of question

5 price discrimination

6 Equilibrium point  $MR=MC$





PRICE DETERMINATION?

SAME AT INDUSTRY & FIRM

WHY?

BOTH ARE SAME



## OLIGOPOLY

## A FEW SELLERS

features:

1 more selling costs

2 More interdependence in decision making

3 prices are more Rigid \sticky

4 2-10 producers



IS PRICE DETERMINED IN OLIGOPOLY, LIKE OTHERS?

NO

THEN ----- HOW goods be sold?

BY

PRICE LEADERSHIP



## MONOPOLISTIC MARKET

A REALISTIC MARKET?

### BIGGEST MARKET

Features:

1 product is highly differentiated

2 More selling costs-advertisement

3 very close substitutes

4 cut-throat competition

5 real market.

6 equilibrium point,  $MR=MC$



# PRICE DETERMINATION?





# Q & A

## SESSION



THANK U