

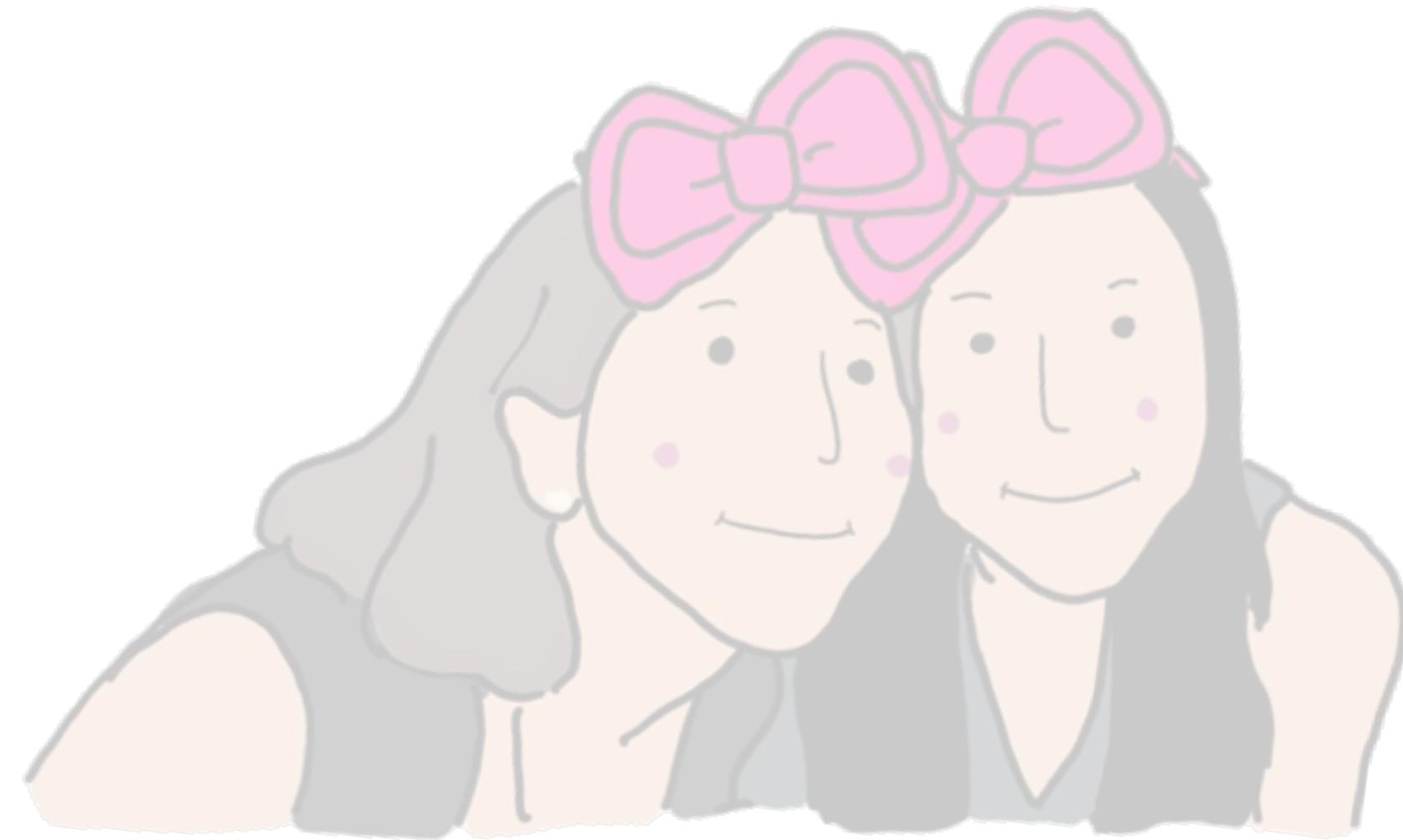


MICROECONOMICS - Market Structure

By Kru P'Eve and Kru P'Da Knockout.Economics

Overview

1. The differences between competitive market and monopoly market



1. The differences between competitive market and monopoly market

Competitive market

Monopoly market

Definition

- There are many sellers in the market that compete with each other.

- Only firm dominants in the market.

Characteristics

1.Many buyers and sellers in the market.

2.Price taker

➔ Firms do not have any power to set prices.

3. Low barrier to entry and exit

4. Only normal profits can be gained in the long run.

➔ In short run, firms are able to achieve supernormal profit.

➔ This can encourage new firms into the market

➔ An increase in supply will make lower price.

➔ As a result, profit will return back to normal level.

1.Only one seller in the market.

2.Price marker

➔ Firms have power to set prices.

3. High barrier to entry and exit

4. Supernormal profits can be gained in both short run and long run.

1. The differences between competitive market and monopoly market

Competitive market

Monopoly market

Advantages

- High competition in the market forces firms to respond to consumers' demand.
- Efficiency could be improved under a high competition in the market.
- Products are variety and high quality for consumers due to high competition in the market.
- Price is likely to be lower since there are many suppliers in the market.

- A monopolist can take advantage of economies of scale. Firms might transfer benefits to consumers by charging lower price.
- A monopolist gains high profit which could be spent on research and development to create innovation.
- It reduces duplicate cost eg. Marketing cost

Disadvantages

- Firm gain low profit under high competition in the market.
- ➔ Firms have less budget for research and innovation
- ➔ Quality of product is likely to be low.
- Firms own small market share
- ➔ Firms cannot take advantage of economies of scale.

- The lack of competition may reduce incentive to improve working process. It may cause inefficiency in the monopoly.
- A monopolist may set a high price to customers as it is a price maker.
- There might be no variety of goods and services for consumers.
- A monopolist may have no incentive to respond to customers' wants due to the lack of competition.

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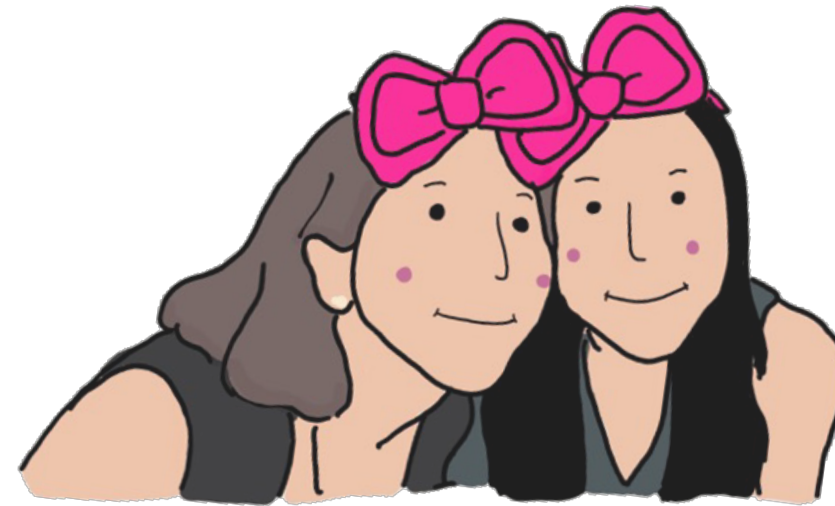
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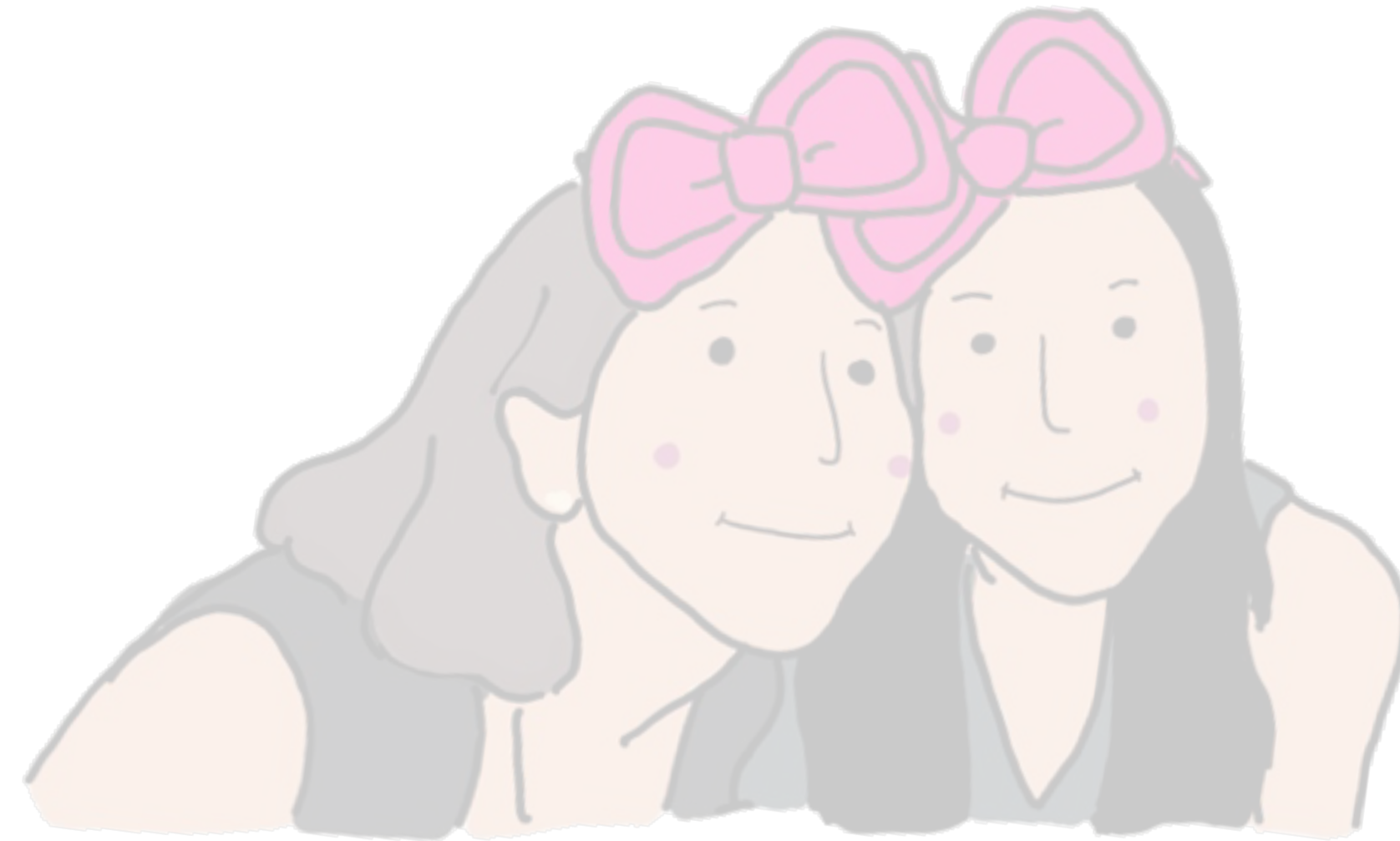
MICROECONOMICS - Exercises- Market Structure

By Kru P'Eve and Kru P'Da Knockout.Economics

Exercise: MCQ

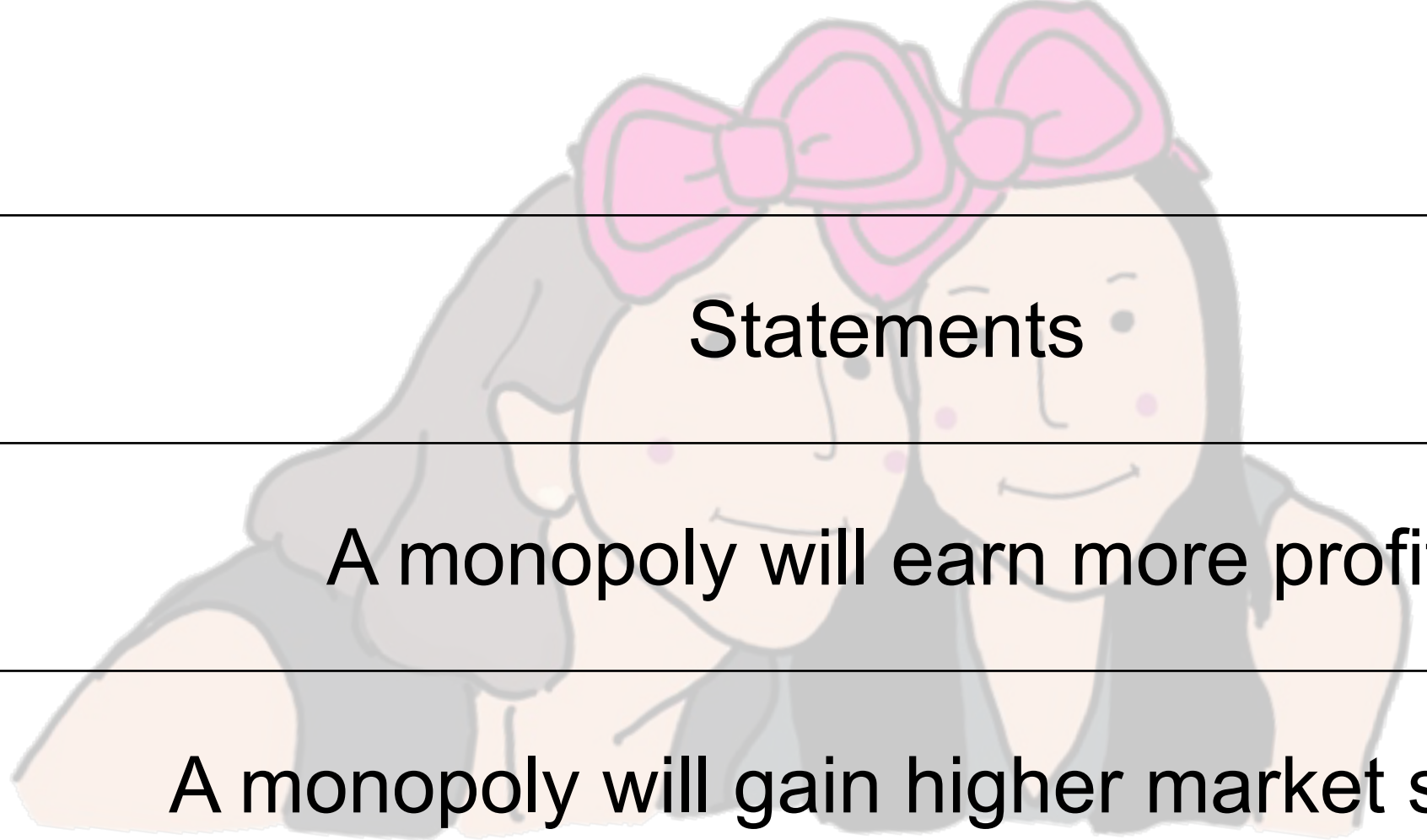
1. A monopoly controls total output and prices. What is the most likely impact of this on consumers?

- A. Wide range of choice
- B. Higher profit
- C. Higher price
- D. Higher taxes



Exercise: MCQ

2. What is least likely to be true about a monopoly compared with a competitive firm?



	Statements
A	A monopoly will earn more profit
B	A monopoly will gain higher market share
C	A monopoly will operate on a bigger scale of production
D	A monopoly will offer a variety of choice to consumers

Exercise: Essay

1. Analyse how monopoly differs from perfect competition [6]

Command Word:

Analyse: examine in detail to show meaning, and identify components and the relationship between them

Knockout.Tips

Issues (1x3) + Supporting details (1x3)



Exercise: Essay

2. Discuss whether the quality of goods is likely to be better in a monopoly or in a perfectly competitive market [8]

Command Word:

Discuss: Set out both sides of an argument (For and against)

For

Against

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