Number on an independent scale (pindyck, 2001). if

Number of participants firms

In a pure competitive market structure, the buyer does not have any effect on the price level of goods in the market. This is contributed by the fact that number of buyers and sellers in the market place is large enough and acting on an independent scale (Pindyck, 2001). If this characteristic is compared with monopolistic competition, it is noticeable that there exist many firms selling the same product in the market. Furthermore, some firms are ready to enter the market in order to participate in selling the same products. In consideration of the fact that there are many firms in the market, it is possible to set individual price levels.

One of determining factor to the number of firms in a monopolistic completion is the extent to which product has been differentiated and also the amount of fixed cost associated with running the industry (Gans, 2003).

Types of products

Products in a purely competitive firm assume a standard nature (Gans, 2003). These products are fundamentally identical in nature. An example is a combination of potatoes and wheat in agricultural sector.

On the other hand, products in a monopolistic firm are highly differentiated. This means that the firms sell products that have less difference in their characteristics. This statement does not denote that the goods can act as substitutes but it brings to surface the fact that their cross price elasticity is positive when it is calculated.

Consequently, the change in price of one good have a subsequent effect on the quantity demanded of another good. To further describe the nature of monopolistic goods, it can be highlighted that such goods executes the same roles but the difference is in the specifics of the products such as quality and location.

Control over prices

The price levels in a purely competitive industry are determined by the point of intersection between the supply and demand curves. Individual firms are under obligation to sell their products as determined by the industry. If a firm sells its products above the price in the market, then no one will buy from the firm in consideration of the fact that there exist cheap and similar products in the industry. Conclusion can therefore be made that prices are determined by the industry. In a monopolistic competition, firm determines its own price level in a market segment. This factor is supported by the fact that products are highly differentiated thus the buyer cannot draw much difference between products.

A decision made by one firm cannot have much effect on other companies in the same segment. To sum up the price statement in a monopolistic competition, each firm is at liberty to choose on the price level a decision which may not affect other firms. This is against earlier mentioned price determination structure of pure competition.

Conditions of enter the industry

There is ease of entry into a monopolistic industry. The long run aspect is that firms can enter and leave the industry at any time. A condition describing this monopolistic competition is that several firms are exclusive in nature and wants to display their products in the market at their own prices with an aim of making profits. There is high probability that the cost level will increase due to intense advertisement done. If these sunk costs are not managed well by a firm then it will be forced to quit the industry. On the contrary, purely competitive market structures have easy entry and exit conditions. There is no related cost such as sunk cost.

Non price competition

Monopolistic competition emphasizes differentiating its products in order to gain competitive advantage over other firms. The use of intensive advertisement is meant to attract more buyers consequently making profits. A purely competitive firm does not have any non price competition strategy simply because firms are price takers. The industry decides for the firm the price level it will have to sell its products and services.

Examples

A good example of purely competitive industry is the agricultural sector where potatoes and wheat are the specific product groups. Motor vehicle industry makes up a monopolistic competition. They can perform nearly the same functions but has specific attributes or qualities recognizable by potential buyers.

These goods are not close substitutes but their cross price elasticity is positive in description.

Pure competition vs. oligopoly

Number of participants firms

In an oligopoly market segment, the number of firms is few simply because of the existence of some barriers to entry (Depken, 2005).

The firms depend on each other and this forms a reason for the inclusion of market barriers. Their aim is to perpetually control the market segment. This contrasts with a purely competitive market where the number of buyers and sellers in the market is large.

There are no barriers to entry into a competitive market structure.

Types of products

The products in an oligopoly market are uniform or differentiated. Examples of such products include the petroleum industry (BP and other firms) and the industry dealing with soft drinks (coca cola). With a purely competitive structure the products are in standard form (Depken, 2005). An example given is the agricultural sector selling a combination of potatoes and wheat.

Control over prices

Oligopoly market structure participates in setting their prices divergent from a purely competitive structure where the firms take the prices from the industry. Oligopoly market structure produce where their marginal costs is equated to marginal revenue consequently maximizing profits.

Conditions of enter the industry

There are high level of barriers to entry and exit in an oligopoly market structure. Some of the available instruments used by the industry to prevent entry are: patent rights, economies of scale, and other deliberate actions done by firms to discourage prospective firms. On the other hand, a purely competitive market has free entry and exit phenomenon.

Non price competition

Differentiation of products is evident within an oligopoly structure. A great extent of these products is from industries. They can also take up the description of being homogeneous. Within a purely competitive market structure, non price competition is less.

Examples

As mention in the text, examples of oligopoly structure are a combination of firms dealing with industrial products such as the steel industry. In the same vein, firms selling with durable consumer goods fall under the category of oligopoly (Davies, 2005). An example of a purely competitive industry is the agricultural sector selling wheat and potatoes.

Pure competition vs. pure monopoly

Number of participants firms

Pure monopoly market structure is characterized by existence of a single producer or seller in a market segment while a purely competitive structure has many buyers and sellers. The firm is usually owned by a government so as to exclusively control production and guard the public interest from exploitation.

Types of products

The products available in a pure monopoly are distinctive in character because of the fact that the firm is the only producer or seller in a market. There are no close substitutes for such product consequently justifying the fact that the product supplied by a firm is exceptional.

Control over prices

Monopolies have mastered the art of taking control over prices.

They can easily point out the amount to charge their customers at any one point in time. In this case therefore, the monopolists are termed as price makers (Depken, 2005). So as to come up with a price level, comparison with the output quantity is made. The objective of such action is to limit exploiting potential customers.

Conditions of enter the industry

Pure monopoly operates under barriers to entry. Such barriers include patent rights, advancement in technology appreciated by the firm and possession of good status.

Furthermore, access to critical resources for production is among the entry barriers. With a pure competitive market structure, there are no barriers to entry or exit.

Non price competition

In recognition of the fact that monopolist conduct solely the activities of the industry, non price actions are not necessary (Davies, 2005). Advertisements are only employed by the firm in a bid to establish real contact with the customers through public relations.

Pure competitive market structure does not have any non price competition.

Examples

Example of pure monopoly is the power generation company operated by a stated government. This is a sensitive area which requires large magnitude of resources. It can also be observed that power generation is a sensitive area of an economy. Other example of pure monopolies comprises the locally used utilities.

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