

Perfect competition characteristics



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There are four types of market structures are Perfect Competition, Monopoly, Monopoly Competition and Oligopoly. Long run is the period of time that the firms are able to adjust the variable cost and fixed cost. In the long run, seller has sufficient time to enter or exit the market but need to base on the profits. Short run is not a definite period time and it can just modify the variable cost only. Short run don't have sufficient time to entry and exit the market because it didn't register the business.

Variable cost is a periodic cost that can change or based to the sales profit of a company. Examples for the variable cost are labor, raw material, etc. Fixed cost is a cost that cannot change when the quantity is increase or decrease. Examples for fixed cost are rent, buildings, capital, machinery, etc. Marginal Revenue is when selling goods or doing business gains the total profit from the product or business. Marginal cost is the total cost that when making a product, the purpose of analyzing marginal cost is to determine an organization can achieve their economics of limits.

Main Body

Perfect Competition

What is Perfect competition? Perfect Competition are describes markets such that not enough market power to set the price of an identical product. The multi-national example for the perfect competition is egg, rice, wood and flour.

Characteristics

There are many characteristics under perfect competition; the first is Identical or Homogenies Product. This characteristics means the qualities and characteristics do not diversification between different suppliers. Each

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firm in a perfect competition market also has selling their identical products; all the goods are perfectly the same one, so the buyer cannot distinguish whether the goods came from another firm and no firm could raise the price above the market price and still retain its sales.

The second characteristic in perfect competition is the firms and household are got the perfect knowledge. In perfect knowledge, all the firm and household are aware of seller's price changes such that a firm cannot sell their goods higher price than another firm. The firm and household must have all the information regarding the market situation and the how does the economy work. Thus the price change, the technological development also can immediately signal to all the firm and household.

The third characteristics in perfect competition are freedom entry and exit the market; there are no barriers to them. In the long run business, when the register firm need to exit the market, it needs to show a prove, but in the short run there is no restriction to entry or exit the market. The entire firm in a perfectly competition market make a normal profit in the long run.

Monopoly

What is Monopoly? A Monopoly is a market that just got only one producer and many buyers, the producer sell the goods may be is differentiated or identical but the importance point is the goods have no close and no replacement. The multi-national for Monopoly is Vegetables and Fruit from Farmer.

Characteristics

There are many characteristics under monopoly; the first is the monopoly is the price maker, monopolist can control the price, and he can brand itself and set the price, the monopolist has to deal with its market price.

The second characteristic under monopoly is Barrier to Entry and Exit the market, some of the barriers are government license, patents and copyright, control of marketing channels. This is the reason that monopoly is very hard to entry. Barrier to exit must go to apply to public utilities such as local telephone companies, natural gas distribution companies, electricity companies, and garbage collection companies.

The third characteristic under monopoly is Household and Firm must have Perfect Information, when selling a product in the market the producer must have a perfect knowledge about cannot selling their goods higher price than another firm and this perfect knowledge can comes from legally-established patents, copyrights, or trademark.

Monopolistic Competition

Monopolistic competition is a type of imperfect competition, its market structure which combines elements of monopoly and the competitive markets, the producers are able to differentiate their products. The multi-national example for monopolistic competition is some high precision products, such as multi-cylinder diesel engine fuel injection pumps.

Characteristics

The first characteristic under monopolistic competition is Freedom Entry and Exit the market. In the long run market there is free entry and exit. In

monopolistic competition each market with its own identical product, any firm unable to cover its costs can leave the market without pay the liquidation costs. This assumption implies that there are low startup costs, no loss costs and no exit costs, so the cost of entering and exit is very low.

The second characteristic under monopolistic competition is the different shape product. There is a single product being manufactured by some firms, and the product of each firm is basically the same one. The producer tries to create their own different packaging, different conditions of sale with respect to guarantees, after-sales services and different geographical location.

The third characteristic under monopolistic competition is household and firms didn't have perfect knowledge. In monopolistic competition, buyers do not know everything, but they have relatively complete information about alternative prices. They also have relatively complete information about product differences and brand names. Each firm also has relatively complete information about production techniques and the prices charged by their rivals.

Oligopoly

An Oligopoly in which firm is dominated by many small seller, it is the firm that selling similar product. Oligopoly is similar like monopoly but oligopoly is at least two firms supplying the market. The multi-national examples for oligopoly are aluminum, gas, cell phone, television and film.

Characteristic

The first characteristic under oligopoly is Interdependent. There are only few firms under oligopoly but each firm will have to take account of the others,

this means that they are dependent. A firm under oligopoly not only considers the market demand, they also need to compare the price and output policies to their rivals. No firm can therefore afford to ignore the actions and reactions of other firms in the market.

The second characteristic under oligopoly is they have a heavy advertising. Oligopolistic must have a heavy advertising to promote their products in the market structure, and then can give the household know about their company. Under oligopoly the advertising is such like life-blood for oligopolistic firm.

The third characteristic under oligopoly is high barrier to entry the market. Government restrictions, copyright issue, undivided resource ownership and huge setup cost are the high barrier to oligopolistic to entry the market. Sometimes the cost is very high, ownership and control of the raw materials is a factor, patents and brand loyalty are also barriers of entry into an oligopolistic market.