Monopolies and Monopolistic Competition

Student's Name

Institutional Affiliation

Round	2	3	4
Market Type	Mixed Market	Price Discrimination	Price Discrimination
Quantity	10	12 | 20	6 | 2
Market Price	$5.50	$5.00 | $2.00	$6.50 | $3.80
Total Profit	$35.00	$36.00	$30.60

We have imperfect or monopolistic competition in monopolistic marketplaces when there are many suppliers but few replacements because of factors like price, quality, and availability. In the case of a monopoly game, one company disregards how its pricing actions impact its competitors and accepts the costs paid by other companies as given. (Mankiw et al., 2021). Unlike totally competitive markets, monopolies do not lose their ability to replace themselves. Monopoly competition models are frequently used in industry models. Market structures that resemble monopolies include those found in restaurants, breakfast cereals, apparel, footwear, and the urban services sector. Monopolies will never grow inefficient since they are exempt from market competition from other producers. Take Facebook as an instance.

It is a monopoly as the dominant social media platform due to the fact that no other services are able to contend pretty. It may also lose its effectiveness due to the unavoidable deadweight loss. Due to the high cost and low production, this has happened. "Because a monopoly charges a price above marginal expense, not everyone who appreciates the commodity more than its cost buys it."

Monopolistic competition may be ineffective in one of two ways:

- A business will charge a price higher than its marginal cost if it is unable to produce units with a consumer value above the cost of production.
- Many enterprises do not utilize all of their production capacity because they have some extra capacity. As a result, in monopolistic competition, output is not equal to maximal power.

"Monopolistically competitive markets do not have all the desirable welfare properties of perfectly competitive markets."

Every customer will pay the same amount to buy a product from a monopoly. Goods should be sold in fewer quantities at a higher price. As with every monopoly, there is no rivalry. Customers do not purchase a product if they judge its value as less than its price. Therefore, the monopoly's output and sales are inefficient relative to some benchmarks. Deadweight loss describes this phenomenon. Overcharging might cause the company to lose prospective customers. Similar to a monopoly, monopolistic competition seeks to maximize profits by increasing output until the firm's marginal income and marginal costs are identical. The position of the maximizing profits quantity on the average revenue curve will determine the optimal selling price for the product. There is no differentiation in pricing practices between businesses in the monopoly competition since firms have similar missing market power. Long-term demand is very elastic or responsive to changes in price. Profit in the economy is favorable in a short time but tends to reach zero over time.

Peer Responses

In your responses, comment on at least two posts from your peers by providing examples from the news of monopolies and firms in monopolistic competition markets. Compare and contrast the two types of markets.

Response 01

When there is a mismatch between supply and demand, the result is a deadweight loss and market inefficiency. When products in a market are overpriced or underpriced, the market is inefficient. Some people in society may reap benefits from the imbalance, but the change from equilibrium will harm others.

The Monopoly market structure is characterized by free entry and exit, a feature of competitors, and differentiation in products, a feature of monopolies (Mankiw, 2021). Due to the fact that each company's products are distinct, they wield some market influence. The sloping demand curves of all products are the result of advertising and marketing emphasizing their distinctive selling factors. Every business would be in perpetual competition with each other and, over time, would generate equivalent profits if admission were free. Until the economic profits of a monopolistic competitor reach zero, there will be entry.

Response 02

We need to provide at least two peer responses. I will provide one example post. You can write your peer responses by keeping the below points in mind.

References

Mankiw, N. G., Mason, O. H., & Learning, S.-W. C. (2021). *Textbook commentaries project*.