

Perfect Popcorn Processing Co - The Popcorn Predicament

MARKET STRUCTURE

In economics, market structure is the number of firms producing identical products which are homogeneous.

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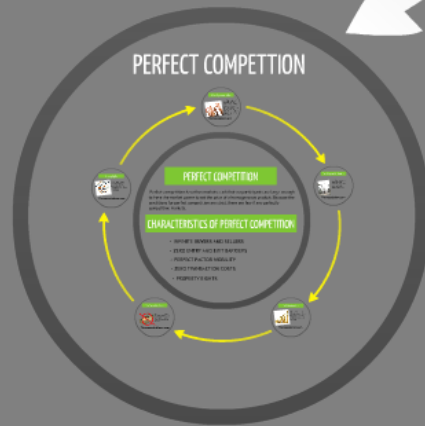
The two extremes of market structure are:

→ PERFECT COMPETITION

→ MONOPOLY

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PERFECT COMPETITION



EXAMPLES OF PERFECT COMPETITION

Though there is a lot of competition in the market, a few firms are dominant and they control a large portion of the market. These firms are called oligopolies. They are not perfect competitors because they have some control over the market price.

PERFECT COMPETITION VS. MONOPOLY

Perfect competition is a market structure in which all the firms sell an identical product. In this market, the firms are price takers and they have no control over the price. The firms in this market are small and they are not influential enough to change the market price.

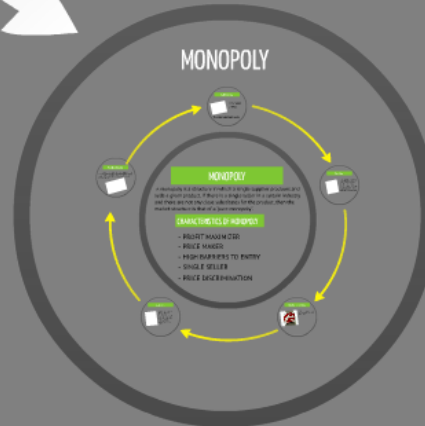
EXAMPLES OF MONOPOLY

The soft drink market is a classic example of a monopoly. The soft drink market is dominated by a few large firms, such as Coca-Cola and Pepsi. These firms have high barriers to entry and they control a large portion of the market.

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PERFECT COMPETITION



EXAMPLES OF PERFECT COMPETITION

Though there is no actual perfectly competitive market in the real world, a number of markets come close.

- Although the closest thing to a perfectly competitive market would be a large number of identical goods with no particular brand and uniform quality.
- The closest market to being truly competitive is the market for wheat. Farmers have to produce equal quantities of wheat for the marketing board.

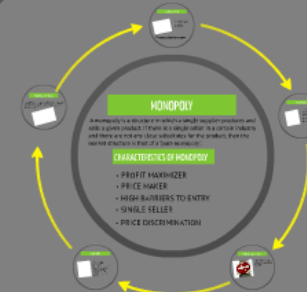
MONOPOLY AND MONOPOLY

Monopoly is a market structure in which a single firm or individual controls the entire supply of a particular good or service. The firm is the only seller in the market and has the power to set the price of the product.

EXAMPLES OF MONOPOLY

- The oil industry is a high example of a monopoly.
- The local newspaper is a monopoly.
- The local utility company is a monopoly.
- The local telephone company is a monopoly.
- The local cable company is a monopoly.
- The local water supply is a monopoly.
- The local sewerage system is a monopoly.
- The local waste management is a monopoly.
- The local fire department is a monopoly.
- The local police department is a monopoly.
- The local court system is a monopoly.
- The local government is a monopoly.

MONOPOLY



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Infinite Buyers and Sellers



An infinite number of consumers with the willingness and ability to buy the product at a certain price, and infinite producers with the willingness and ability to supply the product at a certain price.

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Zero Entry and Exit Barriers



A lack of entry and exit barriers makes it extremely easy to enter or exit a perfectly competitive market.

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Profit Maximization



Firms are assumed to sell where marginal costs meet marginal revenue, where the most profit is generated.

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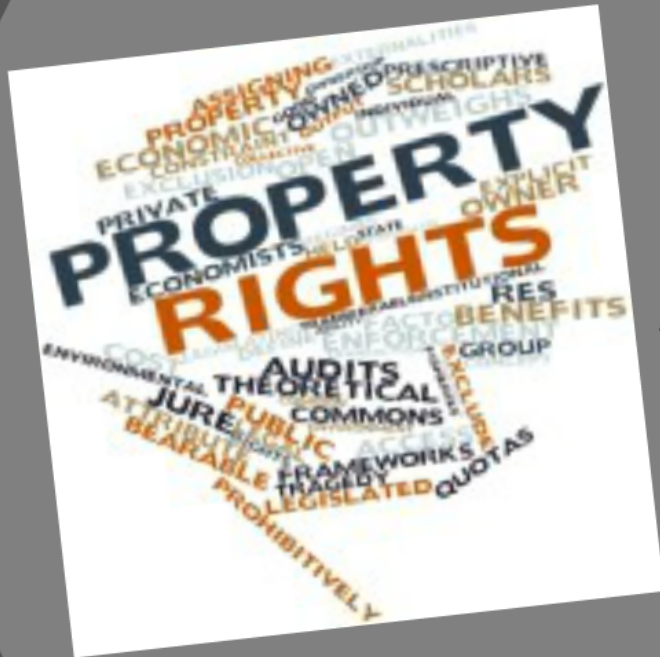
Zero Transaction Costs



Buyers and sellers do not incur costs in making an exchange of goods in a perfectly competitive market.

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Property Rights



Well defined property rights determine what may be sold, as well as what rights are conferred on the buyer.

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Profit Maximizer



Maximizes
profits.

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