TYPES OF MARKET STRUCTURE

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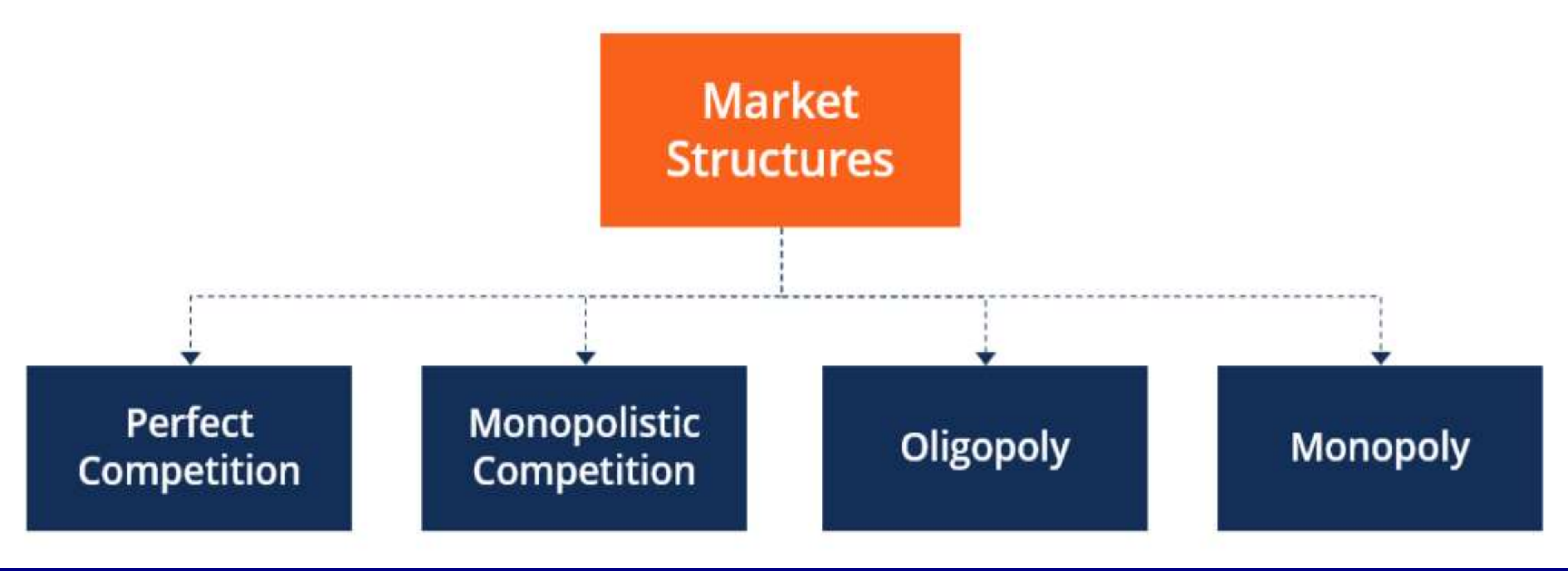
Types of Market Structure

- The 4 major types of markets can be viewed on a continuum.



Types of market structures:

Based on the competition in the market,-

1.Perfect Markets:

1.There is a large number of buyers and sellers

2.Full and perfect competition: no barriers to enter All the buyers and sellers in the market have perfect knowledge of demand

3.Homogeneous commodities

4.All the buyers and sellers in the market have perfect knowledge of demand

5. Perfect mobility of factors

6. Free entry and free exist of firms

7. No transport costs

9. No advertisement cost

10. Forms in perfect competition in the long-run are both productively and allocatively efficient

Imperfect Markets:

The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets.The are the different types of imperfect markets.

The are the different types of imperfect markets-

a. Monopoly Market:

1.Monopoly is a market situation where there is only one producer or seller of the product.

2.There is no difference between the firm and industry.

3. The product sold by the monopolist has no close substitutes.

4. The monopolist has complete control over the supply of his product.

5. Monopoly always aim at supernormal profits.

- When there is only on buyer of a product the market is termed as a monopsony market.
- Example: Indian farmers operate in monopoly market when purchasing electricity for irrigation.

b. Duopoly Market:

1. A duopoly market is one which has only two sellers of a commodity.

2. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market.

- The market situation in which there are only two buyers of a commodity is known as the duopsony market.

c. Oligopoly Market:

1. A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market.
2. Each firm is of a considerable size.
3. A market having a few (more than two) buyers is known as oligopsony market.

d. Monopolistic Competition:

The concept of monopolistic competition was introduced by Prof. Chamberlin.

1. There exists a large number of small sized firms dealing with heterogeneous and differentiated forms of products.
2. Firms produce goods which are not identical but are similar.
3. There are close substitutes available.
4. Products are differentiated in some ways e.g., brand name, attractive packets, wrappers, the use of trade marks, etc.

5. There is a high competition and hence incur selling cost (Advertisement).

6. There is a free entry or free exist of firms.

7.Consumers are divided by virtue of product differentiation.

Example:

Monopolistic competition faced by farmers may be drawn from the input markets like, various makes of insecticides, pumpsets, fertilizers and equipments. Eg., Toothpaste, Soaps and detergents, cosmetics


Thank
You