

| Where Does the Firm Produce   | How to tell the different Market Structures Apart  |
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| <ul style="list-style-type: none"> <li>• <b>Remember, the firm always produces at where Marginal Revenue = Marginal Cost or <math>MR=MC</math>.</b></li> <li>• <b><math>MR=MC</math> is the profit maximization point.</b></li> <li>• <b>In perfect competition, <math>MR=MC=Price</math> of the good.</b></li> <li>• <b>In all other market structures, <math>MR=MC</math>.</b></li> <li>• <b>To find out whether the firm is making profit or not, you must:</b> <ol style="list-style-type: none"> <li>1. Find the output using the <math>MR=MC</math> rule.</li> <li>2. From the output, figure out the price from the demand curve.</li> <li>3. If the price &gt; ATC, at that output level, then the firm is making profit.</li> <li>4. If the price &lt; ATC, at that output level, then the firm is not making profit.</li> <li>5. You can figure out the amount of profit by estimating the Total Revenue and Total Cost.</li> <li>6. <math>TR = Price \times Quantity</math></li> <li>7. <math>TC = ATC \times Quantity</math></li> </ol> </li> </ul> | <ul style="list-style-type: none"> <li>• <b>Perfectly Competitive (PC) Markets sell virtually an identical (homogeneous) good.</b></li> <li>• <b>Individual PC firms do not advertise because all of the firms sell the identical product.</b></li> <li>• <b>Monopolistic Competitive (MC) firms sell differentiated products, for these firms branding makes a huge difference.</b></li> <li>• <b>MC firms do advertise considerably because they are trying to differentiate their product from the other brands.</b></li> <li>• <b>Oligopolistic markets have a lot of strategic behavior among the firms.</b></li> <li>• <b>This strategic behavior involves price-cutting and consequent matching, price leadership and collusion.</b></li> <li>• <b>Monopolies are single players in markets, if they are natural monopolies, tend to be clustered in utilities and are almost always regulated by government.</b></li> <li>• <b>When looking at monopolies, an important question to ask is this: Is this product or firm the only one that serves the customer's particular need?</b></li> </ul> |