UNIT – IV

Market forms

Perfect · Monopoly · Discrimination · Imperfect

Explanatory Lecture Slides

Micro Economics · Major-5 · Semester IV

MICRO ECONOMICS

LEARNING OBJECTIVES

Topics covered in this unit

01 **Define perfect competition and its eqm**

02 **Define monopoly and its eqm**

03 **Explain price discrimination**

04 **Place monopolistic competition**

05 **Place oligopoly (kinked demand)**

06 **Hook the Competition Act**

How this unit is organised

01	02	03	04	05	06
Perfect competition	Monopoly	Price discrimination	Monopolistic competition	Oligopoly	Competition Act

Perfect competition

Many sellers, homogeneous product, free entry, perfect information, firm is a price-taker. P = MC = min AC in long-run eqm.

- A benchmark, not a description of India. Uses: a welfare standard (deadweight of monopoly), agriculture's approximate shape at the mandi (with caveats).
- Short run: P = MC, supernormal possible. Long run: entry eats it.

Perfect competition

SR

- $P = MC$; profit can be positive.

LR

- $P = MC = \min AC$; normal profit.

Monopoly

One seller, no close substitute, barriers. AR = market demand. MR below AR. Eqm: MR = MC. P > MC — the deadweight triangle.

- Sources: statute (old public monopolies), patent, natural monopoly (falling AC), control of an input.
- A 16-mark: features, eqm, comparison table with perfect competition (price, output, efficiency).

Monopoly

RULE

- MR = MC, read price off AR.

HARM

- P > MC.
- Lower output.
- X-inefficiency.

Price discrimination

Same good, different prices, not justified by cost. Degrees: I (each unit), II (blocks), III (markets). Conditions: market power, separable markets, different elasticities.

- Dumping is international PD. Railway classes, drug prices across countries, student software — illustrations.
- Legal: Competition Act s.4 (discriminatory pricing as abuse if it harms competition); patents permit a kind of PD.

Price discrimination

NEED

- Power.
- Separation.
- Different Ped.

III

- Charge more where demand is inelastic.

Monopolistic competition

Many firms, differentiated product, some power, free entry. Chamberlin: two demand curves (dd, DD). Long run: tangency, excess capacity, P > min AC.

- The economics of brands and of passing-off / trademark law: differentiation is the product.

Monopolistic competition

SR

- Monopoly-like eqm, entry coming.

LR

- Tangency; excess capacity.

Oligopoly — kinked demand

Few firms, interdependence. Sweezy: a kink at the going price — rivals match cuts, not hikes. MR discontinuous; price rigid.

- Collusion (cartel) v competition. Game of prisoners' dilemma is an optional 6-mark.
- India: cement, airlines, telecom — CCI's hunting ground.

Oligopoly — kinked demand

KINK

- Explains rigidity, not the original price.

CARTEL

- Joint monopoly — s.3 of the Competition Act.

Competition Act 2002

s.3 agreements, s.4 abuse of dominance, s.5–6 combination, CCI. Replace MRTP's 'size is suspect' with 'harm to competition'.

- Excel Crop Care (cartel penalty), CCI v SAIL (procedure), Google/Android (dominance — name only if current).
- A micro paper that does not mention s.3/s.4 is an economics-BA paper, not a law-school one.

Competition Act 2002

S.3

- Cartels.
- Price-fix.
- Bid-rig.

S.4

- Predation.
- Denial of market.
- Discrimination.

Monopolistic competition

Many firms, differentiated product, some power, free entry. Chamberlin: two demand curves (dd, DD). Long run: tangency, excess capacity, P > min AC.

- The economics of brands and of passing-off / trademark law: differentiation is the product.

LANDMARK AUTHORITIES

Cases a KSLU answer should name

CASE

Excel Crop Care v CCI

(2017) 8 SCC 47

Cartel as the legal form of a joint monopoly.

CASE

CCI v SAIL

(2010) 10 SCC 744

CCI's procedure — market law has a due-process skin.

CASE

Hindustan Lever Employees' Union v Hindustan Lever

1995 Supp (1) SCC 499

A merger is a combination of market power — labour and competition sit at the same table.

STATUTE / SECTION MAP

Provisions & materials to quote

Competition Act 2002 s	Agreements, dominance, combinations.
Patents Act 1970	A lawful limited monopoly — the bargain of disclosure.
Trade Marks Act 1999	Differentiation that monopolistic competition lives on.
Art. 19(1)(g) / 19(6)	Trade, and the State’s power to regulate monopoly.
Essential Commodities	When the State replaces the market on a good.

WRITE IT IN THE HALL

10 / 16-mark frames from this unit

Q1 Explain price and output determination under perfect competition in the short and long run.

Q2 How does a monopolist determine price and output? Compare with perfect competition.

Q3 What is price discrimination? What are its conditions and degrees?

Q4 Write a note on kinked-demand oligopoly / monopolistic competition / s.3 of the Competition Act.

BEFORE YOU CLOSE THE FILE

Unit recap

1. Perfect: P = MC = min AC in the long run — a benchmark.
2. Monopoly: MR = MC, P > MC.
3. PD needs power, separation, different elasticities.
4. Kink explains rigidity; it does not set the first price.
5. ss.3–4 Competition Act are this unit's statute.