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Economics
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classmate
Date 29.7.24
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Ch-5 Meaning and Types of Markets

Good Morning Students,
This lesson is for Class 10th for the subject of Economics. The topic for today is 'Oligopoly and types of oligopoly' which is covered in chapter 5 titled "Meaning and types of markets" of your book.
This lesson is being submitted to you on 29.7.24.
All the students now please open page number 114 of your book and listen carefully.

Oligopoly:-
Oligopoly is a market situation in which there are only few firms in industry producing either homogeneous products or closely differentiated products. If there are only two sellers in the market, it is called duopoly.
Under oligopoly, each firm produces a large proportion of the total output. Each firm can influence the market price by its own action. The rivals may react to its action. Therefore, while fixing price of its product, each firm keeps in mind the expected reaction of its rival firms. Car Industry, telecom industry are good examples of oligopoly in India.

Types of Oligopoly:-
(1) Pure Oligopoly.
(2) Differentiated Oligopoly.
(3) Collusive Oligopoly.

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(4) Non Collusive Oligopoly:
for explanation refer to page number 114 of your book.

Features of Oligopoly:

(1) Few firms:
There are a few large firms selling either homogeneous products or close related but differentiated products. Each firm produces a significant proportion of the total output.

(2) Interdependence:
There is high degree of interdependence among the firms. Interdependence means that actions of one firm affect the actions of other firms. Each firm considers the actions and reactions of the rival firms while determining its own price.

(3) Non-Price Competition:
Under oligopoly, firms are in a position to influence the prices. However they avoid price competition due to fear of price war. Firms prefer non-price competition like advertisement, better services to customers etc. to compete with each other.

(4) Restriction on Entry of new firms.
The main reasons for few firms under oligopoly is the barriers, which prevent entry of new firms into the industry. Patents, requirement of large capital, control over crucial raw materials etc.

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are some of the reasons, which restrict the entry of new firms into industry.

(5) Selling Costs:-
Under oligopoly market, every firm advertises their products on frequent basis, with the intention to reach more and more customers. In addition to this, various sales promotion techniques like free sample, discounts, premiums, exchange offers, etc. are also used to reach to the customers. A firm under oligopoly relies more on non-price competition

(6) Indeterminate Demand Curve:-
Under oligopoly, the exact behaviour of producer cannot be determined with certainty. So, demand curve faced by an oligopolist is uncertain/indeterminate. As firms are interdependent, a firm cannot ignore the reaction of the rival firms. Any change in price by one firm lead to change in prices by the competing firms. So, demand curve keeps on shifting and it is not definite.

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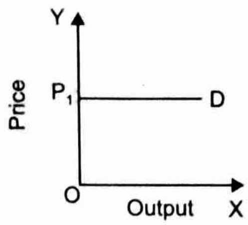
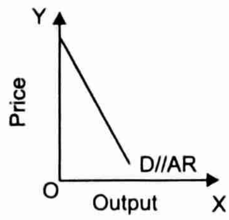
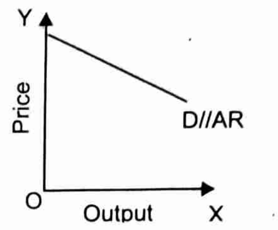
Distinction between Perfect Competition, Monopoly and Monopolistic Competition

Basis	*Perfect Competition*	*Monopoly*	*Monopolistic Competition*
1. Number of Sellers	Large number of small sellers.	There exists only single seller.	There are large number of small sellers.
2. Product	Products of all sellers are homogeneous.	Monopolist may sell homogeneous or differentiated products.	Products are different but are close substitutes of one another.
3. Demand	The firm here faces perfectly elastic demand curve as under (Fig. 5.4) :  *Fig. 5.4*	Monopoly firm has a downward sloping but less elastic demand curve, see Fig. 5.5.  *Fig. 5.5*	Like monopoly, the firm under monopolistic competition also has a negatively sloping demand demand curve (but more elastic), see Fig. 5.6.  *Fig. 5.6*
4. Price	Uniform price prevails in the entire market and every firm here is a price-taker.	Monopoly firm may or may not charge uniform price from its different buyers. Firm here is a price-maker.	Since product differentiation is the key feature of this market, different sellers charge different prices for their products.
5. Entry of Firms	There is no restriction on the entry or exit of firms in the market.	Entry of new firms in the market is restricted.	Free entry or exit of firms into the market.
6. Selling Costs	No selling costs are incurred here.	Only informative selling costs are incurred.	Huge amount of money is spent on advertisement, etc.
7. Practi-cability	It is an imaginary market. It is not seen in real life.	It is rarely seen.	It is a real market situation which we come across in our day-to-day life.

With this I am ending my topic here
Write the answers of following questions in your note-books.

Ques 1 What is Pure Oligopoly?
2. Give two features of Oligopoly.
3. Explain the difference between Perfect Competition and Monopoly.

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