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B.A. Part- 1
Paper-1
Topic- Features of Monopoly and distinguish between Monopoly and perfect competition
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Features of Monopoly :

We may state the features of monopoly as:

1. One Seller and Large Number of Buyers:

The monopolist's firm is the only firm; it is an industry. But the number of buyers is assumed to be large.

2. No Close Substitutes:

There shall not be any close substitutes for the product sold by the monopolist. The cross elasticity of demand between the product of the monopolist and others must be negligible or zero.

3. Difficulty of Entry of New Firms:

There are either natural or artificial restrictions on the entry of firms into the industry, even when the firm is making abnormal profits.

4. Monopoly is also an Industry:

Under monopoly there is only one firm which constitutes the industry. Difference between firm and industry comes to an end.

5. Price Maker:

Under monopoly, monopolist has full control over the supply of the commodity. But due to large number of buyers, demand of any one buyer constitutes an infinitely small part of the total demand. Therefore, buyers have to pay the price fixed by the monopolist.

Distinguish between Monopoly and perfect competition :

Features	Monopoly	Perfect Competition
1. Description	Extreme market situation, where there is only one seller. He has no competition and so controls supply and price.	A fair, direct competition between buyers and buyers : sellers and sellers ; and finally between buyers and sellers.
2. Buyers and sellers	Only one seller and practically all buyers depend on him. Hence he has absolute control over the market.	Large number of buyers and sellers. Hence no sellers or buyers can alter the price in the market.
3. Supply	Supply from only one seller, hence absolute control over the supply.	(i) Supply comes from large number of sellers (ii) individual supply is negligible.
4. Demand	Demand is inelastic. Demand curve slopes downward.	Demand is perfectly elastic. Demand curve is a horizontal straight line.
5. Product	Homogeneous product.	Homogeneous product.
6. Nature of Competition	No competition at all. No price or product competition.	Pure and perfect competition in price.
7. Price	Higher price higher than all competitive price $P > MR = MC$	Normal Price $P = MR = MC$
8. Output	Small output fixed by the sole seller.	Large output fixed by $MR = MC$
9. Profit	Excess profit monopoly gain.	Normal profit realised by price competition.
10. Application	Pure Monopoly is rare but elements of monopoly are there in markets.	Quite unreal