# Market Structure (Demand)

## 1. Perfect competition

**Demand:**

- \( P = \text{Price} \)
- \( D = \text{Demand} \)
- \( \text{AR} = \text{Average revenue} \)
- \( \text{MR} = \text{Marginal revenue} \)

\[ D = \text{AR} = \text{MR} \]

- Many sellers with a homogeneous product. There exist **no** barriers to entry.
- The individual seller is a price taker, that is, price is given for him. He can set quantity.
- The **whole market**

## 2. Imperfect competition (Price > Marginal cost)

### 2.1 Monopoly

- One seller facing the whole market demand. There exist barriers to entry.
- Seller can set price or quantity.
- Diminished control over price or quantity (Reactions of competitors)

### 2.2 Oligopoly

- A few sellers facing a kinked demand curve (Because of the reactions of competitors)
- Only a small control over price or quantity

### 2.3 Monopolistic competition

- Many sellers with slightly different products

## Diagrams

- **Perfect competition:**
  \[ D = \text{AR} = \text{MR} \]

- **Imperfect competition:**
  - Monopoly:
    \[ D = \text{AR} \]
  - Oligopoly:
    \[ D_1 = \text{AR}_1 \]
  - Monopolistic competition:
    \[ D = \text{AR} \]

### Equations

- **Demand:**
  \[ D = \text{AR} = \text{MR} \]

- **Price:**
  \[ P = \text{Price} \]

- **Quantity:**
  \[ Q = \text{Quantity} \]