**Outline for Lecture 16**

Four Market Models

*Pure Competition*

What is the number of firms operating in a purely competitive market: one, few, many, or a very large number? How would you characterize the product sold in a purely competitive market: unique, differentiated, or standardized? Provide an example of purely competitive markets.

*Pure Monopoly*

What is the number of firms operating in a purely monopolistic market: one, few, many, or a very large number? How would you characterize the product sold in a purely monopolistic market: unique, differentiated, or standardized?Provide an example.

*Monopolistic Competition*

What is the number of firms operating in a monopolistically competitive market: one, few, many, or a very large number? How would you characterize the product sold in a monopolistically competitive market: unique, differentiated, or standardized? Provide an example.

*Oligopoly*

What is the number of firms operating in an oligopolistic market: one, few, many, or a very large number? How would you characterize the product sold in an oligopolistic market: unique, differentiated, or standardized? Provide an example.

Pure Competition: Characteristics and Occurrence

Purely competitive markets have four main characteristics.

*1. Very large numbers*

In your example of pure competition from above, how many firms would you expect to see in this market?

*2. Standardized product*

How similar are the products sold by different firms? Do consumers prefer a particular firm?

*3. Price takers*

How much of the total output is produced by an individual competitive firm: all of it, a large fraction, or a small fraction? Is the individual firm a price maker or a price taker? Explain.

*4. Free entry and exit*

How would you characterize the ease with which firms can enter or exit competitive industries? Explain.

**Materials for Lecture 16**

Start with the textbook to get familiar with the content and progression of the lecture. Then, go to videos and supplemental articles, if provided, for further clarification and additional examples.

Textbook

Read carefully pages 202 through 204 from the textbook.

Video

Four market models

<http://www.youtube.com/watch?v=9Hxy-TuX9fs&index=29&list=PL336C870BEAD3B58B>

Perfect competition in first three minutes

<http://www.youtube.com/watch?feature=fvwp&v=61GCogalzVc&NR=1>

Airline industry as an example of competitive markets in first five minutes

<https://www.khanacademy.org/economics-finance-domain/microeconomics/perfect-competition-topic/perfect-competition/v/perfect-competition>