**Chapter 6 - Monopoly and Imperfect Competition**

“The biggest things are always the easiest to do because there is no competition.” Sir William Van Horne – Canadian Capitalist

1. Outline the demand conditions faced by monopolists, monopolistic competition, and oligopolists.
2. Distinguish between how monopolists, monopolistic competitors, and oligopolists maximize profits.
3. Describe non-price competition and the arguments over industrial concentration.

**6.1 - Demand Differences**

Monopoly

Monopolistic Competition

Oligopoly (mutual interdependence)

Rivalry among businesses (market share, kinked demand curve, actions and reactions among rivals in an oligopoly)

Cooperation among businesses (price leadership, collusion, cartel)

**Practice Questions (Page 148, 1a,b,c,d)**

**6.2 – Monopoly**

Revenue Conditions

Profit Maximization (MR = MC, then up to Demand)

Monopoly versus Perfect Competition

The effects on price and quantity for each

Regulation of Natural Monopolies

Average-Cost Price (average cost pricing, accounting profit rate, fair rate of return)

**Practice Questions (Page 153, 1a,b. 2a,b.)**

**6.3 - Imperfect Competition**

Monopolistic Competition

Revenue Conditions

The Short Run

The Long Run

Oligopoly

Revenue Conditions

Profit Maximization

Game Theory (The Prisoner’s Dilemma. Applying the Prisoner’s Dilemma to Oligopoly, Contestable Market)

Anti-Combines Legislation

Conspiracy

Bid-Rigging

Predatory Pricing

Abuse of Dominant Position

Mergers (horizontal, vertical, conglomerate)

**Practice Questions (Page 163 1a,b. 2a,b. 3a,b. 4a,b)**

**6.4 - The Traits of Imperfect Competition**

Non-Price Competition

Product Differentiation

Advertising

Non-Price Competition and Business

Non-Price Competition and the Consumer

Industrial Concentration (Concentration Ratio)

The Debate Over Industrial Concentration

Increasing Returns to Scale Versus Market Power and Innovation

**Practice Questions (Page 168 a,b,c,d,e 2)**

Thomas C. Schelling and Game Theory (Page 174 #’s 1,2)