

## CONCEPT: CHARACTERISTICS OF MONOPOLISTIC COMPETITION

- A market is in **monopolistic competition** when:

☐ Nature of Good: The goods for sale are \_\_\_\_\_, but not identical

- Products are said to be **differentiated**

☐ Setting Price: The sellers are \_\_\_\_\_ to an extent

- Only \_\_\_\_\_ producer of the \_\_\_\_\_ good

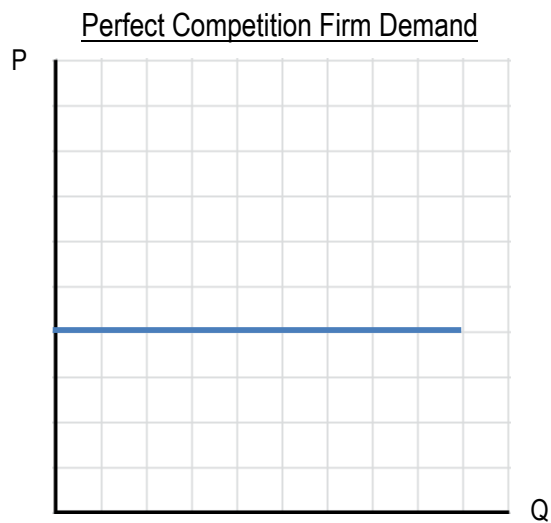
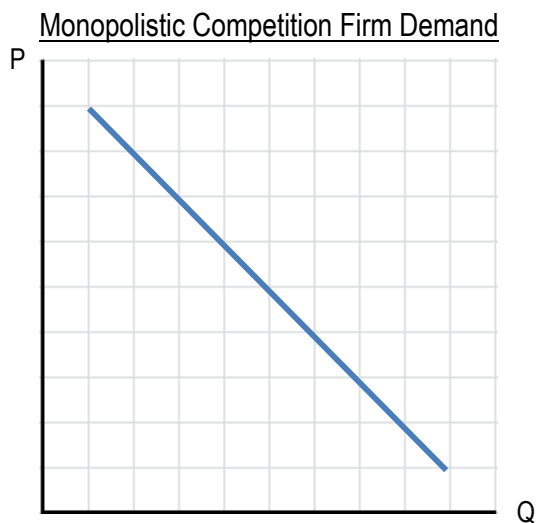
- There are \_\_\_\_\_ producers of \_\_\_\_\_ goods

- **Market power** – the ability of one person (or group) to have substantial influence on \_\_\_\_\_

☐ Entry and Exit: Firms can \_\_\_\_\_ enter and exit the market.

☐ Example Product:

- In monopolistic competition, the demand curve facing the individual firm is downward sloping.



<u>Monopolistic Competition Firm</u>	<u>Perfect Competition Firm</u>
Demand Curve → _____	Demand Curve → _____
Increase Output → _____	Increase Output → _____
$P = AR$	$P = AR = MR$