Class: B.Com Part I

Subject: Business Economics and Environment.

Paper: I

Unit: IV

Topic: Monopoly Market

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Prepared by:

Dr. Roy Anitakumari Paramanand
Marwari College Darbhanga.
E-mail roy27583@gmail.com.

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Monopoly :

Monopoly is a form of the market in which there is a single seller or producer of a commodity. There are no close substitutes of the monopoly product and there are legal technical or natural barriers to the entry of new firms in the monopoly market.

According to Stonier and Hague "The producer under pure monopoly is so powerful that he is always able to take the whole of all consumer's income whatever the level of output ... the average curve of the firm under the monopoly will be a rectangular hyperbola with an elasticity of demand equal to unity".

According to Ferguson, "A pure monopoly exists when one and only one firm produces or sell the commodity in question. In other words monopoly is one firm industry.

It is a form of the market in which there is a single seller of a product who with no close substitutes Example, Railways in India are a monopoly industry of the Govt of India. Since there is only one producer of a product in the market, the distinction between 'firm' and industry disappe[ars]. An industry is a group of firms producing a particular product.

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Features Of Monopoly:

The main features of monopoly are as follows:

① One Seller and Large Number of Buyers:

Under monopoly, there is a single producer of a commodity. He may be alone, or there may be a group of partners or a joint stock company or a state. However there is a large number of buyers of the product. Because he is a single seller, the monopolist enjoys full market control. He can fix the price of his product as he desire.

② No close substitutes:

A monopoly firm produces a commodity that has no close substitutes. Example There is no close substitute of railway as a 'bulk carrier'

③ Restrictions On the Entry of New Firms

Under monoply, there are some restriction on the entry of new firm into the monopoly industry. Generally there are patent rights granted to the monopoly firm. Or a monopoly firm has exclusive control over a technique (of production) or over the raw material needed for production.

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4) Full Control Over price:

Being a single seller of a product, a monopolist has full control over its price. A monopolist, thus, is a price maker. He can fix whatever price he wishes to fix for his product.

5) Price Discrimination:

A monopolist may charge different price from different buyers. It is called price discrimination. Price discrimination refers to the practice of charging different prices from different buyers for the same goods.

Full control over price under monopoly does not mean that the monopolist can sell any amount of the commodity at any price. Once the monopolist fixes price of the commodity, quantity demanded will depend upon the buyers. Buyers will demand more if price is lowered, and demand less if price is raised. So that there is an inverse relationship between price and quatity sold by the monopoly firm