

# Monopolistic Competition

## Notes

### “MONOPOLISTIC COMPETITION” TARGETS

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### CHARACTERISTICS

Monopolistic competition has characteristics that make it similar to both monopoly and perfect competition.

1)

2)

3)

### HOW IT DIFFERS

The items below list how monopolistic competition differs from the other market structures.

1) **Perfect Competition**

2) **Monopoly**

3) **Oligopoly**

### PRODUCT DIFFERENTIATION

One of the key features of monopolistic competition is product differentiation. Firms can differentiate their products in one of three ways.

1)

2)

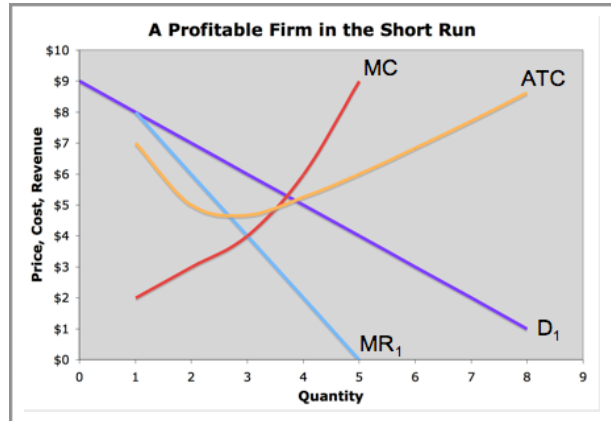
3)

SHORT RUN VS. LONG RUN

Firms can make abnormal profits in the short run but not in the long run.

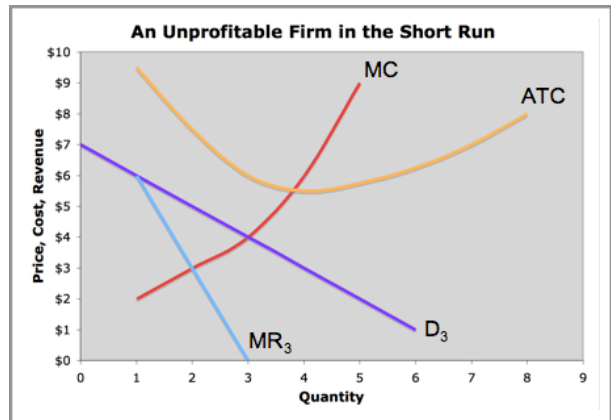
1) A Firm Making a Profit

- A)
- B)
- C)



2) A Firm Suffering a Loss

- A)
- B)
- C)



ADVERTISING

Advertising is a controversial economic subject, but it is generally considered that it does affect the demand curve and increases revenue.

1) Why do firms advertise?

- A)
- B)

2) Why Can They Charge More?

- A)
- B)
- C)

BRANDING

**Branding** refers to the distinctive identity that a particular name, phrase, or symbol bestows on a firm and its products.

1) It provides quality assurance.

- A)
- B)

2) It provides information.

- A)
- B)