



## **[Frequently Asked Questions]**

### **Monopolistic Competition**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A. (Hons.), 2 <sup>nd</sup> Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 201 Microeconomics-II
<b>Unit No. &amp; Title:</b>	Unit – 1 Markets with Imperfect Competition
<b>Lecture No. &amp; Title:</b>	Lecture – 2 Monopolistic Competition

## **Frequently Asked Questions**

### **Q1. What do you mean by monopolistic competition?**

**A1.** Monopolistic is a market or competition where large number of sellers selling differentiated goods.

### **Q2. Who first gave the idea of monopolistic market?**

**A2.** Edward H Chamberlin from Harvard University and Joan Robinson from Cambridge University had given idea about this market almost at same time.

### **Q3. When LAC is more than the LAR what can you conclude?**

**A3.** If the LAC (long run average cost) is more than LAR (long run average revenue), it shows that firm is making loss.

### **Q4. Why firm behaves independently in monopolistic market?**

**A4.** Every firm has an advantage of producing differentiation and independent pricing policy at some degree while producing goods so every firm has independent policy.

### **Q5. State any one similarity in pure competition and Monopolistic competition.**

**A5.** The entry of new firm is not restricted in both market but entry of new firm in monopolistic market is not as simple as in perfect competition.

### **Q6. State anyone dissimilarity in pure competition and monopolistic competition.**

**A6.** There is no product differentiation in pure competition while in monopolistic competition it is the main feature.

**Q7. What is product group?**

**A7.** Group of Monopolistic firms producing close substitute goods are regarded product groups rather than industry.

**Q8. Why monopolistic market does not enjoys monopoly profit?**

**A8.** Monopolistic market does not enjoy monopolistic profit because in long run entry of many firms with their close substitute goods makes impossible to enjoy monopoly profit.

**Q9. How monopolistic market becomes more and more competitive?**

**A9.** Monopolistic market becomes more competitive in long run because more firm enters in the market to enjoy more and more profit.

**Q10. What degree of elasticity prevails in monopolistic market?**

**A10.** In short run monopolistic market sees no new entries of firm which makes demand curves of existing firm less elastic but in long run as other firm enters in the market with their goods demand curves of all firms become more elastic because now consumers have more options.