Advantages of monopolized markets than perfectly competitive markets case study s...

[Business](), [Company]()

- There are a few economic problems which company can face:

- Adverse selection. It if form of market disorganization through asymmetric information between producers and consumers. As a result, more worth goods drive out goods with higher quality.

- Next possible problem is barriers to entry and exit to the market. Company can't have enough resource to start at current market or vise versa it can't go out from market avoiding bankruptcy.

- Unfair competition is also important problem which can negative impact on company's results. There are some examples of unfair competition: dumping, false information and advertising. It is almost impossible to enter the market, because of a lot of restriction to a new participant.

- Company can face with principal-agent problem. It is situation when principal can't motivate employee or agent to act in the best interests of his company.

2. The four types of market are:

- Perfect competition. It is the situation when a lot of firms produce the same product using the same price. Producers and consumers have full information about market. There are no barriers to enter or exit to the market.

- Monopolistic competition. There are a large scale of little and medium firms with differentiating products. Almost free enter and exit to the market.

- Oligopoly. A restricted number of companies control the market determining its price. There are strong barriers to enter to the market such as: power number of competitors, different patents, restriction etc.

- Monopoly. There is one only one producer of current goods and he can dictate a price policy.

3. There are two measures of concentration to measure power of corporate control:

- The company's demand curve. If demand on company's products doesn't respond on price changing it tells us about monopolistic or oligopolistic company's position. This situation appears when there is only one producer of current product and consumers can't deal without it.
- The company's cost structure. If company can allow producing goods with less spending of resources we can conclude that company can crush more expensive competitor's production using price war. One of the best examples is market actions of Standard Oil. The cost of production of oil was the cheapest due to the large scale of production and lucrative contracts. So, other oil producers couldn't compete with Standard Oil, and this company became monopolistic leader.

4.

- Depreciation in accounting - process of piecemeal cost transferring of property, plant and equipment and intangible assets as they are physical or mental deterioration to the price of products (works, services).
- Depreciation in economic. Capital stock of firm, entity or nation can gradually decrease in the value. It happens through physical depreciation of capital or changes in demand for its service.

5. It is said because there are many member of the market with approximately access to information. All members are perfect competitors. Information about market price reported entirely through collective efforts of the members of market. Assets are priced in relation to each other with

compliance of fairness. Those prices show correct estimation of assets' intrinsic value. So, no one of participant can exact determine and profit from this assets when they are wrong. The market set up such prices when participants can't get incremental return which is nor linked with incremental risk. In these cases markets are efficient perfect skills

6. Monopolized markets define output according to level of profit maximization (marginal revenue equals marginal cost). Determining the price for goods and services the monopolistic competitor acts like a monopolist: the price for the goods established at the highest possible level according to the level of the demand curve for products.

- Differentiated products.
- Domination of non-price competition.

Disadvantages of monopolized markets than perfectly competitive markets:

- Presence of barriers to entry into the industry;
- Availability of unfair competition;

7. This two characteristic are price policy and implicit conclusion.

Price policy can accept form of price war when one more strange company drives out its competitors using price damping. It is illegal action in most of industrialized counties of the world. More strange company can act unfair using its production scale to decrease production cost or obtain preferential tariff using own authority. Such activity leads to full monopolization of the market.

Implicit conclusion between restricted numbers of producers is also illegal action. Companies can cooperate with each other to achieve desired goals. For example, this union can use give-and-take in tariffs to drive out competitors who not joined in this union. Or this union is created to dictate prices to consumers.

8. Monopolistic competition in long-run terms.

- Prices will be formed at break-even level.
- Firm have to make its marginal costs equal to average costs. So, it leads to equilibrium with marginal revenue.
- Firm stops receiving benefiting at long-run terms.

9. “ Game Theory” – is the mathematical method of researching optimal process where two or more side struggle for their interests. Oligopoly is market with a little quantity of firms whose decisions are interdependent from each other, so they need to act rationally. Actually, game theory helps such companies to take best decisions for each company which helps them to win both or suffer less loss.