

Monopolization research paper

[Business](#), [Company](#)



Given that the new company is now run as a monopoly, how will this benefit the stakeholders involved, such as the government, businesses, and consumers?

In this scenario, two shrewd attorneys with financial influence exploited a condition in a liberal market to pool a previously fruitful industry. This made a situation in that they have no competition and they are prepared to vend! The administration consulting company they employed will coordinate the publicising, the lay-off of workers, and the fresh approach of operating. Subsequent to hours of investigation, I have established there are several views for and against this novel approach of monopoly (Maurya, 2008).

What I actually recognize is the phrase monopolistic competition is not hard to mistake with the word monopoly. These two ideals are categorized by fairly different market situations. In that, a monopoly is a solitary company with extraordinary barriers to entry while Monopolistic competition infers a business with numerous companies, distinguished merchandises, and relaxed entry and exit (Burkett, 2006).

Provided that the novel corporation Wonks is currently operated as a monopoly, it actually profits all the stakeholders tangled within the industry, for instance the government, trades, and users. As you continue to read this essay, you will find that I have explained the advantages of this new market structure, monopoly, to all for the aforementioned stakeholders.

The government of any country in the world usually benefits greatly in the case of monopolies. It will benefit since government monopolies are an expedient cradle of income. Having to deal with a single company in single

industry tend to generate a lot of revenue. For instance Wonks total turnover and gross profit will tend to be higher than the sum of the individual companies that would have been in the so called monopolistic competition. This is so since in a monopolistic model; there is a lot of completion. This means the many companies within the industry will more than likely use a lot of revenue advertising or doing research in a bid to outshine the others. This revenue is not used in a monopoly since with or without much advertisement, the market is for wonk to exploit, no competitors. Therefore the gross profit is expected to rise and thus creating more revenue for the government.

The government is also the solitary unit that can compel other businesses outside a market. The force out could certainly cause disagreements in the market. The proprietors of Wonks could shove the administration to levy limits on competition. If other commercial proprietors in the marketplace realized this, they could employ as much destructive P. R. as conceivable. This would arrange for an entry barrier into the market. Furthermore low prices can decrease the profit side-lines for new businesses and behave an entry barrier.

In addition, Let us assume that Wonks possess potato chips cooking technique patent, a clandestine mixture of spices to increase the product it deals in, or a potato growing method patent. This will benefit the Government, since as part of policy; government patents inspire innovation as corporations ought to be more enthusiastic to generate new

merchandises if they recognize they would have monopoly influence over those foodstuffs.

In a perfect monopolistic market arrangement, barriers occur that avert competition from inflowing the market. As described, a monopoly is a corporation, which is the lone vendor in a market. The Wonk Company has lately developed into a monopoly owing to the amalgamation of the players in the industry. Therefore, the rule of supply and demand possesses numerous benefits when a business appreciates freedom from competition. Since a monopoly possesses control over supply and price elasticity, the Wonk Company is capable of setting the supply at a situation that will capitalize on maximum profits devoid of much variation in demand. Conversely in a duopoly or an oligopoly, the rule of supply and demand possesses limits. In these types of market, the pricing issue need be tactical and competitive especially with the other providers in the market. In addition, in markets entertaining perfect competition, the demand is usually low and corporations may have trouble establishing peripheral revenue at marginal expenditure while appreciating adequate demand. However, as every new competitor comes into the market, demand reduces and profits frequently do the same. Consequently, the business, in this novel monopoly status, can benefit from this and prosper.

Because a monopolist influences a large segment of the market, they have more resources to spend on research and development, therefore this will enable them to bring new techniques, strengthen the quality of their

product, and encourage innovation. Also, economies of scale can be gained which will allow the consumer to benefit from low prices

Given the transition from a monopolistically competitive firm to a monopoly, what will be the changes with regard to prices and output in both of these market structures?

As we now know, Monopoly denotes a market condition wherein there is solitarily a lone vendor and great number of consumers, while monopolistic competition is a market condition wherein there is both a huge number of sellers and huge number of buyers. Therefore before the wonk foundation, the chips industry was monopolistic since there was the presence of close substitutes in the logic that merchandises were diverse in terms of packaging, brand and price. This therefore resulted in demand curve being additionally elastic owing to obtainability of close alternatives. It therefore meant that if one of the companies in the industry raised its price then it would lose a huge amount of its consumers and vice versa since consumers would shift to other close substitutes available in the market. Therefore, since the company transitioned to a monopoly, the demand became less elastic owing to in availability of close substitutes. Therefore, if the company decides to raise its commodity prices, demand will not or may fall in a smaller magnitude as it is solitary dealer in the industry. The issue of demand curve is one of the changes that can be noted in the transition from monopolistic competitive to monopoly. There is in terms of prices, it is highly expected it will either remain as it or go down. However, this solely depends on the management (Depken, 2005).

Another noticeable change that can have an impact on output is that in monopolistic competition, there is violent advertising however in monopoly, there is no advertising at all or a very little. However, a monopolistically competitive company acts alike to a monopolist in the short run. This is owing to the detail that the company faces a downward-sloping demand curve, contrasting the horizontal demand curve a company encounters in a perfectly competitive market. The company solely generates the magnitude that exploits economic profit. This happens at the intersection of the marginal cost and marginal revenue curves.

Now that we comprehend the physiognomies of diverse market structures, how are prices and output heights established for companies tracking profit maximization in diverse market structures? A monopoly could earn economic profits that persevere even in the long run owing to barriers to entry. However, monopolistic competitive companies can merely earn normal profits in the long run, because there is free entry and exit of firms.

What market structure is more beneficial for Wonks to operate in, and will this be the same market structure that will benefit consumers? Explain the reasoning behind your answer.

There are different kinds of market structures that exist in this world. They include: Pure competition, pure monopoly, Monopsony, Monopolistic competition, Oligopoly, Oligopsony and Price discrimination. In Pure competition, the marketplace comprises traders dealing in an unvarying product like financial securities. No solitary purchaser or vendor has considerable outcome on market price (Salvatore, 2006). A vendor cannot

change the commodity prices to more than the market price, since the purchaser can get as plentiful they require at the current market price. Within a purely competitive market, the on goings is characterized by intense marketing investigation, merchandise development, alternate pricing, marketing, and sales promotion. This brings about great goods and competitive pricing. It is mostly beneficial to the consumer than the business.

In the study of economics, a business with a solitary company that yield a merchandise, for which no close alternatives exist and wherein noteworthy barriers to entry thwart other companies from inflowing the market to contest for profit is termed as pure monopoly. There exist two kinds of pure monopoly. They are regulated monopoly, where the government licenses the corporation to set rates that will harvest a fair return, and Non-regulated monopoly, wherein, a Company is permitted to price at what the market will bear. Such a market is usually best for the business. There is no much completion and as mentioned above, Wonk has the ability to enjoy freedom from completion and yield maximum profits. This kind of market is also beneficial to a customer as long as there are some restrictions. For example, when a single-price monopolist proffers its merchandise to all customers at the same price, will easen the burden of choosing which product to purchase. In monopsony, the situation is the opposite. It is a market condition where there is one consumer in the market. This is only favourable to the consumer, in that there is pricing competition. The sellers would try to sell the products in a lower price that the other competitors, and thus hurting

their marginal profit outcome. Therefore, this is not a good market for any business (Garg, 2010).

Another related monopoly related though not the same is monopolistic competition. In the field of economics, the marketplace comprises numerous purchasers and vendors who carry out business over an assortment of prices instead of a solitary market. The variety of price happens since vendors can distinguish their proposals to consumers. Suppliers attempt to create a difference by expending consumer segments, and as well as price, liberally uses labelling, promotion, and individual selling to set their bids distant and unique. This could be a good market structure for Wonks if there were competitors. As it is now, the company is a monopoly and therefore enjoys freedom from competition.

In Oligopoly, the market comprises few vendors who are extremely sensitive to the other's pricing and marketing plans. There are scarce vendors since it is challenging for novel vendors to penetrate the market. Each seller is alert to competitor's strategies and move.

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