

Example of research proposal on economics

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



Economics Experiment

Important to note that there might arise some factors that influence the firm's desire to cheat and the same are discussed below:

i) Prevailing Economic Conditions: It is said that the recession is the biggest enemy of collusion as at the times of poor economic condition, even firms operating under collusion are not able to generate sufficient sales and this leads to excess supply in the market. Hence, each firm, even if it is operating under the cartel, will try to avoid the profit reductions through price reductions and thus, they will gain sales at expense of their rivals and a pure environment to cheat is created.

ii) Disagreements: A continued disagreement among the firms under cartel over various issues relating to expected demand in the market, forecasted business cycle, new markets etc., might create the environment where the firms operating under cartel might desire to cheat.

iii) Expected resolutions against cartels: At times when the government proposes a resolution against cartels through Anti-Trust laws, firms may try to cheat and earn maximum profit before the law is passed and cartels are officially ended by the government.

Furthermore, below discussed are the situations when the collusion between oligopolist firms continues to be maintained:

i) Output of each firm is easily monitored: As already discussed, in the environment when the cheating is easily detectable and so is the output of each firm, the firms under collusion refrain from cheating and the collusion is maintained.

ii) High economies of scale: The economies of scale to the existing firms are so high that it prevents any other firm from entering the industry and erode the cartel profits.

iii) Highly inelastic demand: In conjunction with high economies of scale, if the firms under collusion are selling the product with highly inelastic demand, then each of them have a strong incentive to maintain the collusion.

Works Cited

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