

Concentration ratios



Concentration Ratios Principles of Microeconomics Raymond Hudson

December 20, 2011 In doing the research for the firm concentration ratios, I was able to determine which firms were high in competition. I will be discussing these firms concentration ratios, the level of competition, and also name some of the firms that operate under these industries. Last but not least I will I will discuss oligopolies and some of the advantages and disadvantages that oligopolies have. The four firms that I researched are fluid milk, women and girl's cut and sew dresses, envelopes and electronic computers.

The concentration ratio for these firms are fluid milk 89%, dresses 85%, envelopes 93%, and electronic computers 99% ratio. Electronic computers are considered on a high level of competition and also the cut dresses. The low level of completion would be the industry of fluid milk and envelopes. Oligopolies are a market or industry that is dominated by a small number of sellers, controlled by a small group of firms (Case, Fair & Oster, 2009). The degree of market concentration is high in oligopolies. Firms within an oligopoly produce brand products and it also have barriers to entry.

Fluid milk and electronic computers qualify as an oligopoly. Electronic computers have several firms such as HP, Sony, and Apple. Oligopolies are bad for society because they are in constant competition. When firm are in completion it normally force the other to improve their product which normal raise the price of the product. This means that the companies are not making the product cost efficient. Some advantages of oligopolies are that it allows for greater efficiency through standardization economies of scale, and avoidance of a monopoly.

It also has more profits due to small competition. They also usually compete with one another in price and developing new products. The disadvantage that is normally not good for society is the rise in product price. Most oligopolies have popular products and know that consumers will continue to buy the product because of the quality of it. Another disadvantage would be if the industry is at a standstill and do not come up with new products because it knows the barrier of entry is not easy.

In conclusion I have discussed the concentration ratios of fluid milk, women and girls cut and sew dresses, electronic computers and envelopes. I also discussed the meaning of oligopolies and some of the firms that qualify as an oligopoly. The disadvantages and advantages of oligopolies and that they are bad for society. Reference 1. Case, Fair & Oster 2009, Principles of Microeconomics 9th edition 2. www.census.gov/epcd Concentration Ratios in Manufacturing