Inappropriate levels of competition amongst both buyers and sellers

Literature, Russian Literature

Inappropriate levels of competition amongst both buyers and sellers

Competition is the act of firms trying to do better than others in the market through various activities in the sale of goods and services.

Competitiveness is the ability of a business to fight for market share, make profit, and increase volume of sales, among other competitors (Dwivedi, 2002).

2.

There is pure competition, imperfect competition, monopoly, and oligopoly. Firms improve their competitiveness through various actions, for example, changing production methods to reduce cost, changing strategies, or even increased marketing (Dwivedi, 2002).

3.

Competition improves performance and innovation among firms, therefore, improved quality in products and services.

4.

Competition and Markets Authority. Yes, because CMA regulates both international and local markets (CMA, 2014).

5.

These are descriptions of the concept of monopoly that are important in the formulation of policies. They are important because they guide policy formulation in various areas.

6.

Causes of monopoly include; natural monopoly where a company controls the raw materials, legal monopoly where the government issues patents or copyright to owners of ideas. There is also statutory monopoly given to utility service providers. There are monopolies due to international trade restrictions, too much capital needed to start up a business, and monopoly due to mergers and large scale production. There are all sources of barrier to entry into a business (Dwivedi, 2002).

7.

Monopoly power is preferable when dealing with utility service provision. An example is the provision of water of electricity to citizens. This would be beneficial because the government will regulate the prices and production and ensure quality services at low costs. Monopoly power is also preferable in situations where innovation develop new situations (creative destruction), for example, the extinction of CDs to development of downloadable music from the internet (Dwivedi, 2002).

8.

Contestability is a measure of a markets capability to allow new entrants. For contestability to occur, there must be potential entrants who evaluate profitability based on the current firm's prices, there must be at least one rival with the same cost structure, and entry and exit should be free. Limits of contestability are; reduced profits, sunk costs and barriers to entry. Benefits of contestability include; increased incentives which enable firms to take action on consumer preferences, and cut costs, and lower costs (Piazza, 2011).

References

Competition and Markets Authority. Retrieved from: https://www. gov. uk/government/organisations/competition-and-markets-authority

Cowen, T. (2009). Creative Destruction: How Globalization Is Changing the Worlds Cultures. Oxfordshire: Princeton University Press.

Dwivedi, D. N. (2002). Microeconomics: Theory And Applications. New Delhi: Pearson Education India.

Piazza, R. (2011). Leadership Contestability, Monopolistic Rents and Growth. International Monetary Fund.