Ease of entry into industry

In my assignment, we will learn about the degree of competition such as perfect competition, monopolistic competition, oligopoly and monopoly. Beside this, we also learn the features and differentiate of each of the competition. So, we will more understand about the degree of competition.

1. 0 Introduction

Microeconomics is focuses on patterns of supply and demand and determination of price and output in individual markets. Therefore, even in a free enterprise system, not all industries are equally competitive. This is because economists have identified four degrees of competition such as perfect competition, monopolistic competition, oligopoly and monopoly. So, in here I will discuss about the characteristics of monopoly.

1. 1Monopoly

Monopoly market means that it has only one producer on the market. A sole supplier can control over the prices of its product. For example, it will decrease in consumer demand due to increased prices. Therefore, a market or industry in which there is only one producer, which can therefore set the prices of its products.

1. 2Characteristics of Monopoly

1. 2. 1Number of Competitors

Monopoly does not have any number of competitors. This is because under monopoly, there is a single producer of a particular service in the market accruing to a rather large number of buyers. In addition, other competitors just produce simple goods or service and lack of innovation therefore the number of competitors' decrease. So, a business becomes a monopoly it must keep to change and innovation to produce a unique product.

1. 2. 2Ease of entry into industry

Under monopoly, it regulated by government. This is because the government gives a singles firm the exclusive right to produce some good. Besides this, a few of the primary barriers such as government license or franchise, resource ownership, patents and copyright, and high start-up cost also effect to entry into this market. For example, company Astro, it must have government license, homogeneous product, a large capital and resource ownership. So, to be the sole seller, in the monopolistic setup, a special product must be produced.

1. 2. 3Similarity of goods or services offered by competing firms

Under monopoly, it wills not directly competing goods or services. This is because theyhavetheir own unique goods and services for the buyers. For example, the electric companies that produce electricity to all user. In other hand, another company just produce some simple goods such as food, drinks, clothes, and goods. Therefore, based on the example we can see that under the monopoly, the company will not directly competing goods or services with other company.

1. 2. 4 Level of control over price by individual firms

Under monopoly, it can control the price of the product. This is because no competitors compete with it so it can randomly set the price to gain the maximum profits. Thus, a monopolist is a ‘ price maker’ and not a ‘ price taker’; when it decides the price and the buyers have to accept it. For example, top manager of companyAstro he announce the prices of one channel will increase from $150 to $200 in year 2012 therefore all the user must follow and accept it. So, under the monopoly seller can make decision on setting the prices of the goods or services.

1. 3 Conclusion

In my conclusion, the features of monopoly are none of competitors, hard of entry into industry, sell a unique goods and services, and can set the prices randomly to gain the maximum profits. So, in the four degrees of competition in a private enterprise the monopoly is the one way to gain maximum profits compare with other competition.

2. 0 Introduction

Microeconomics is the branch of economics that market behaviour of individual consumers and firms in an attempt to understand the decision-making process of firms and households and concerned with the interaction between individual buyers and sellers. Therefore, even in a free enterprise system, not all industries are equally competitive. This is because economists have identified four degrees of competition such as perfect competition, monopolistic competition, oligopoly and monopoly. So, I will discuss about the differentiate features of four degrees of competition.

2. 1 Perfect Competition

Perfect competition is described a market or industry characterized by numerous small firms which are producing same product. In order to exist perfect competition to, there are two conditions must prevail such as all firms in an industry must be small and the number of firms in the industry must be large. Therefore, no single firm is powerful to influence the price of its product. Besides this, the products of each firm are so similar and both buyers and sellers know the prices that other are paying and receiving in the marketplace. In addition, each firm under perfect competition is small, so that it is easy for firms to enter or leave the market and there is no need for government regulation, except to make markets more competitive. The good example for perfect competition is agriculture. This is because the vegetable produced on one farm is the same as that from another. Both producers and buyers are aware of prevailing markets prices. Lastly, the farm produces the vegetable are very easy to start and also easy to stop when it’s no longer profitable. So, under the perfect competition seller can’t control the price and just only produce an identical product only.

2. 2 Monopolistic competition

Monopolistic competition is descried a market or industry characterized by numerous buyers and relatively numerous sellers trying to differentiate their products from those of competitors. Fewer sellers are involved in monopolistic competition than in pure competition, but because there are still many buyers, sellers try to make products differ from those of competitors. For example, farm A and farm B are producing same product such as vegetable. Under monopolistic competition, farm B produce organic vegetables try to make it differ from farm A and it also differentiating strategies includes brand names, design, and advertising. For example, in an effort to attract health-conscious consumers, the company A who produces and promotes drinks promotes such differentiated products such as low-sugar vitagen and low-fat milk. Under oligopoly, the firm are dependent upon each other and can't fix up price independently. But under monopolistic competition the case is not so. Under monopolistic competition each firm acts more or less independently. Each firm formulates its own price-output policy upon its own demand cost. Besides this, the product differentiation also gives sellers some control over prices. For instance, farm B produces organic vegetable and farm A produce vegetable. Therefore, the price of the organic vegetable is higher than price of the vegetable. But the large number of buyers relative to sellers applies potential limits to prices: Although farm B might be able to sell organic vegetable for, say $50 more than farm B vegetable, it could not sell as many organic vegetable if they were priced at $500 more. So, under the monopolistic competition seller will trying to differentiate their products from those of competitors.

2. 3 Oligopoly

Oligopoly is descried a market or industry characterized by a handful of sellers with the power to influence the prices of their products. The entry of new competitors is hard because large capital investment is needed. Example of markets that can be described as oligopolies include the automobile, airline, soft drinks producers and the steel industries. Oligopoly has more control over their strategies than monopolistically competitive firms. For example, when one firm cuts prices or offers commission to increase sales, the other usually protect sales by doing the same. However, when one firm raises prices, other firms will follow. So, the prices of comparable products are usually similar. When a firm announces new fare discounts, others also will adopt the same strategy almost immediately. In addition, under oligopoly, the firms are dependent upon each other and can't fix up price independently. Therefore, that firm must take into account the likely reactions of their rivals to any change in price, output or forms of non-price competition. So, oligopoly has more control over their strategies than monopolistically competitive firms.

2. 4 Monopoly

Monopoly is descried a market or industry which there is only one producer, which can therefore set the prices of its products and also can define as industry where the fixed cost of the capital goods is so high that it is not profitable for second firm to enter and compete. Under monopoly, there is a single producer of a particular good or service in the market. For example, the electric companies are natural monopolies because they can supply all the power needed in a local area. Besides this, in a monopoly market, because of none of the number of competitors therefore producer can set the price to gain the maximum profit. Thus, a monopolist is a ‘ price maker' and not a ‘ price taker', so he decides the price and the buyers have to follow and accept it. For example, government announce the price of electricity will increase from $100 to $150 in year 2013 so all the users have to follow it. Beside this, under monopoly producer is restricted entry that is the sellers cannot enter the market of monopoly randomly. This is because have afew of the primary barriers such as resource ownership, government license or franchise, patents and copyright, high start-up cost, and homogeneous product. Therefore, to be the sole seller, in monopolistic setup, a unique product must be produced. So, under the monopoly the business is set up by only one person, selling a unique product and controls the price of the product to earn the maximum profit.

2. 5 Conclusion

In my conclusion, the differentiate the features of four competition are number of competitors, ease of entry into industry, similarity of goods or services offered by competing firms, and level of control over price by individual firms. Therefore, under the features of number of competitors the perfect competition and monopolistic competition are many of competitors. In other hands, the oligopoly has a few of competitors but in monopoly it does not have competitors. Besides this, under the features of ease of entry into industry the perfect competition and monopolistic completion are more easily to entry, the oligopoly will have a little difficult to entry but in monopoly it regulated by government. In addition, under the features of similarity of goods or services offered by competing firms the perfect competition produce a same product or services, monopolistic competition produce similar product but it add some other function into the product, oligopoly produce goods can be similar or different, monopoly produce their own unique goods and service. Lastly, under the features of level of control over price by individual firms, the perfect competition cannot control the prices of goods. Monopolistic competition and oligopoly some can control or cannot based on the function of the goods, monopoly can control the prices of goods therefore we call monopoly are “ price maker” not a “ price taker”.

Conclusion

In my conclusion, I learn all the characteristic of perfect competition, monopolistic competition, oligopoly and monopoly. For example, monopoly can control the prices of goods and service compare with other competition, monopoly can product a unique goods therefore it will not similar to other competition. So, monopoly is more best compare with each other.