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Commentary

Market Structure of Micro Economics

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DESCRIPTION

Market structure mentions to features of a market, including the number of companies in the market, the issue of market shares between them, product constancy across companies, how easy it is for companies to in and out the market, and forms of competition in the market. A market structure can have various kinds of interacting market systems. Different formations of markets are a feature of capitalism and market socialism, with advocates of state socialism often attacking markets and aiming to substitute or put back markets with varying degrees of government-directed economic planning. Competition acts as a regulatory mechanism for market systems, with the government provides regulations where the market cannot be expected to regulate itself. One sample of this is with regards to building codes, which if away in a purely competition controlled market system, might result in various horrific injuries or deaths to be essential before companies would start improving structural safety, as consumers may at first not be as concerned or aware of safety issues to begin putting pressure on firms to provide them, and companies would be motivated not to provide proper welfare features due to how it would cut into their profits.

The concept of "market type" is not relevant from the concept of "market structure". Yet, it is worth noting here that there are a variety of kinds of markets. The different market structures produce cost curves base on the type of structure present. The different curves are developed base on the costs of production, specifically; the graph contains marginal price, average total price, average variable price, fixed price, and marginal revenue, which is occasionally the same as the demand, average revenue, and cost in a price-taking firm.

Perfect and imperfect competition

Perfect competition is a circumstance in which numerous small companies producing similar products compete in opposition to each other in a given industry. Perfect competition leads to firms producing the socially optimal output level at the minimum feasible cost per unit. Companies in perfect competition are "price takers" (they do not have enough market power to profitably increase the price of their goods or services). The best sample would be that of online marketplaces, such as eBay, on which many different sellers sell similar products to many dissimilar buyers. Imperfect competition is a type of market structure showing some but not all features of competitive markets.

Monopolistic competition is a circumstance in which many companies with slightly different products compete. Production costs are above what perhaps achieved by perfectly competitive companies, but society interests the product differentiation. Samples of industries with market structures similar to monopolistic competition include eatery, cereal, clothing, loafers, and service sector industries in big cities. A monopoly is a market structure in which a market or industry is commanded by a single provider of a specific good or service. Because monopolies have no competition, they tend to vend goods and services at a higher price and produce below the socially optimal output level. An oligopoly is a market structure in which a market or industry is commanded by a small number of companies (oligopolists). Oligopolies can generate the incentive for firms to capture in collusion and form cartels that lessen competition leading to higher prices for customers and less overall market output.

Duopoly: A special case of an oligopoly, with two firms. Game theory can elucidate conduct in duopolies and oligopolies. A monopsony is a market where there is only one buyer and many sellers. A bilateral monopoly is a market consisting of both a monopoly (a seller) and a monopsony (a buyer). An oligopsony is a market where there are few buyers and many sellers.

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